



EMU NICKEL NL

(ABN 50 127 291 927)

Notice of General Meeting

incorporating Explanatory Statement (including independent expert reports) and Proxy Form

to be held 10:00 am on Wednesday 4 April 2012

At Level 2, 16 Ord Street, West Perth, Western Australia

Stantons International Securities (SIS) prepared the independent expert report (attached) as to whether the Acquisition is fair and reasonable to Emu's existing non-associated shareholders. SIS concluded that:

"After taking into account the factors referred to in 9 below and elsewhere in this report, we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages and thus the proposed Ancoa Acquisition as noted in paragraph 1.4 and Resolution No. 3 in the Notice may be considered, on balance, to be fair and reasonable to the existing non-associated shareholders of Emu (not associated with Peter Thomas, Greg Steemson, Peter Secker and Greg McRostie).

These conclusions are based on the premise that on completion of the Ancoa Acquisition, Ancoa with the assistance of Emu will complete the Hillgrove Acquisition. It should be noted that the chances of non-completion of the Hillgrove Acquisition by Ancoa after completion of the Capital Raising by Emu may be considered extremely low but will require completion of the Capital Raising."

You should refer to Appendix A for details of the current and proposed security positions of the current and proposed directors of each of Emu Nickel NL and ANCOA NL.

This is an important document and should be read in its entirety.
If you are in doubt as to the course you should follow, consult your financial or other professional adviser.

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NOTICE IS HEREBY GIVEN that a General Meeting (**Meeting**) of the Shareholders of Emu Nickel NL (ABN 50 127 291 927) (**Emu**) will be held 10:00 am on Wednesday 4 April 2012 at Level 2, 16 Ord Street, West Perth, Western Australia. The Explanatory Statement that accompanies and forms part of this Notice of Meeting (**Notice of Meeting**) describes in more detail the matters to be considered.

AGENDA

Special Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution:

Resolution No. 1 – Change of Company Name

That, subject to the passing of all resolutions (**Resolutions**) in this Notice of Meeting, pursuant to section 157 of the Corporations Act 2001, that Emu's name be changed from Emu Nickel NL to ANCOA NL on a date (following HMPL becoming a wholly owned subsidiary of Emu) effected by ASIC.

Ordinary Resolutions

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

Resolution No. 2 – Consolidation of Capital

That, subject to the passing of all Resolutions other than Resolution No. 1, the capital of Emu (including options) be consolidated on the basis that 1 new share or option (as the case maybe) will be issued for every 2.18 Shares or options (as the case maybe and with the exercise price of the consolidated options being increased in inverse proportion and the consolidation to take place prior to the issue of any other securities the subject of other Resolutions) and, where the consolidation results in any shareholder having a fractional entitlement, that the shareholder's entitlement shall be rounded to the nearest whole number.

Resolution No. 3 – ANCOA NL Acquisition

That, subject to the passing of all Resolutions other than Resolution No. 1, for the purposes of ASXLR 7.1, 10.1, 10.11 and 11.1.2, Chapter 2E of the Corporations Act 2001 (Cth) and all other purposes, approval be and is hereby given for:

- the issue of 27,500,000 post consolidation fully paid ordinary Shares, to the parties and in the proportions indicated in Appendix A to the Explanatory Statement, in exchange for the acquisition for the entire issued capital of ANCOA;
- that issue to be effected on a date yet to be determined but in any event no later than 1 month after the passing of this Resolution (unless events otherwise require and ASX permits a later date) with the allotment to occur on a single date;
- the agreed notional issue price of each Share being \$0.0512 - representing 80% of the 3 month VWAP to the date such notional price was agreed between Emu and ANCOA and being before the potential value of the Transaction was reflected in the price of Shares such that the agreed notional issue price in aggregate of these Shares will be \$3,063,241 (even though Stanton International Securities – SIS - refer to the Explanatory Statement Appendix D – Independent Expert's Report at page 39), applying IFRS - the International Financial Reporting Standard which requires the attribution or value to be effected at the date of issue, rather than when the Transaction was done – determined the issue price of these Shares, for accounting purposes will be \$8,250,000, being \$0.30 per Share or the equivalent of \$0.1379 pre-consolidation Share);

subject to and otherwise on the terms and conditions detailed in the accompanying Explanatory Statement.

Voting Exclusion Statement: Emu will disregard any votes cast on Resolution 3 by either of Messrs Thomas, Steemson, Secker, McRostie or any party to the transaction, and any person who for the purposes of the Corporations Act 2001 would be regarded as a person ("Associate") associated with any of them. However, Emu will not disregard a vote on this Resolution if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.



Resolution No. 4 – Acquisition of ANCOA NL – Change in Nature of Business

That, subject to the passing of all Resolutions other than Resolution No. 1, for all purposes, including ASX Listing Rules 11.1.2 and 11.1.3, the ANCOA Acquisition is approved as is the change in the nature and scale of Emu's business that will result therefrom and, as a consequence, Emu will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Voting Exclusion Statement: Emu will disregard any votes cast on Resolution 4 by a person, and an associate of that person, who may obtain a benefit if this resolution is passed. However, Emu will not disregard a vote on this Resolution if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution No. 5 – Appointment of Director

That, subject to the passing of all Resolutions other than Resolution No. 1, Mr Gregory Hugh Steemson, being eligible and having consented to act, be and hereby is appointed a director of Emu.

Resolution No. 6 – Approval for Issue of Ordinary Fully Paid Shares for Cash

That, subject to the passing of all Resolutions other than Resolution No. 1, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Emu approves the allotment and issue of up to 233,333,333 post consolidation fully paid ordinary Shares in the capital of Emu at a price of not less than \$0.30 per share pursuant to a disclosure document on the terms and conditions set out in the Explanatory Statement where the issue is to occur on a date yet to be determined but in any event no later than 3 months after this Resolution is passed (unless events otherwise require and ASX permits a later date) with the allotments to occur on a single date.

Voting Exclusion Statement: Emu will disregard any votes cast on Resolution 6 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, Emu will not disregard a vote on this Resolution if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution No. 7 – Approval for Issue of Partly-paid Shares

That, subject to the passing of all Resolutions other than Resolution No. 1, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Emu approves the allotment and issue of 75,000,000 post consolidation partly-paid shares in the capital of Emu for the purposes and on the terms and conditions set out in the Explanatory Statement where the issue is to occur on a date yet to be determined but in any event no later than 3 months after this Resolution is passed (unless events otherwise require and ASX permits a later date) with the allotments to occur on a single date.

Voting Exclusion Statement: Emu will disregard any votes cast on Resolution 7 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, Emu will not disregard a vote on this Resolution if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution No. 8 – Approval for Issue of Convertible Notes

That, subject to the passing of all Resolutions other than Resolution No. 1, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the allotment and issue of up to 70,588,235 Connnotes for the purpose and on the terms and conditions set out in the Explanatory Statement where the issue thereof is to occur on a date yet to be determined but in any event no later than 3 months after this Resolution is passed (unless events otherwise require and ASX permits a later date) be and is hereby approved.

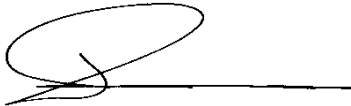
Voting Exclusion Statement: Emu will disregard any votes cast on Resolution 8 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, Emu will not disregard a vote on this Resolution if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution No. 9 – Approval for the issue of up to 100,000,000 ordinary fully paid Shares

That, subject to the passing of all Resolutions other than Resolution No. 1, for the purposes of ASX Listing Rule 7.1 and for all other purposes, authority is hereby given for the board to determine to allot and issue up to 100,000,000 post consolidation fully paid ordinary Shares in the capital of Emu for the purposes and on the terms and conditions set out in the Explanatory Statement where the issue thereof is to occur on a date yet to be determined but in any event no later than 3 months after this Resolution is passed (unless events otherwise require and ASX permits a later date) be and is hereby approved.

Voting Exclusion Statement: *Emu will disregard any votes cast on Resolution 9 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, Emu will not disregard a vote on this Resolution if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.*

By order of the Board
RUDOLF TIELEMAN

A handwritten signature in black ink, appearing to be "R. Tieleman", written over a horizontal line.

COMPANY SECRETARY

DATED: 6 March 2012

PROXIES

For the purposes of determining voting entitlements at the general meeting, shares will be taken to be held by persons who are registered as holding shares at 5.00pm on Monday 2 April 2012. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the general meeting

REASON FOR THE MEETING

The Transaction

This meeting will consider nine resolutions (**Resolutions**) which, if passed, will allow Emu to pursue a new and regenerative business opportunity involving:

- the purchase of ANCOA NL (**ANCOA** – proposed to be renamed Bullantco Pty Ltd to facilitate Emu changing its name to ANCOA NL) by the issue of 27,500,000 post-consolidation shares (**Shares**) in Emu (to be effected subject to the following);
- ANCOA being in a position to simultaneously purchase the historic NSW Hillgrove antimony/gold **mine** for \$40M – the purchase price (**Purchase Price**) is to be satisfied as to at least \$10M in cash and as to the remaining \$30M in a combination, as Emu elects, of cash, Shares or convertible notes (**Connotes**);
- the raising (**Capital Raising**) of an intended minimum of \$60M but not more than \$70M via the issue of securities by Emu – if the Resolutions are passed the board shall be vested with the absolute right to determine to raise less than \$60M as the minimum for the Capital Raising;
- sundry consequential matters;

which collectively are referred to as the **Transaction**.

The mine has a rich history, having produced 49,000 tonnes of antimony and 720,000oz of gold, and is ready to go back into production. In the opinion of Messrs Sakalidis and Thomson, this is a significant opportunity for Emu. Mr Thomas (Emu's chairman) declines to opine on the matter due to his material personal interest therein which interest is detailed fully in this Explanatory Statement.

The primary reason for the meeting is to obtain shareholder approval for the Transaction because:

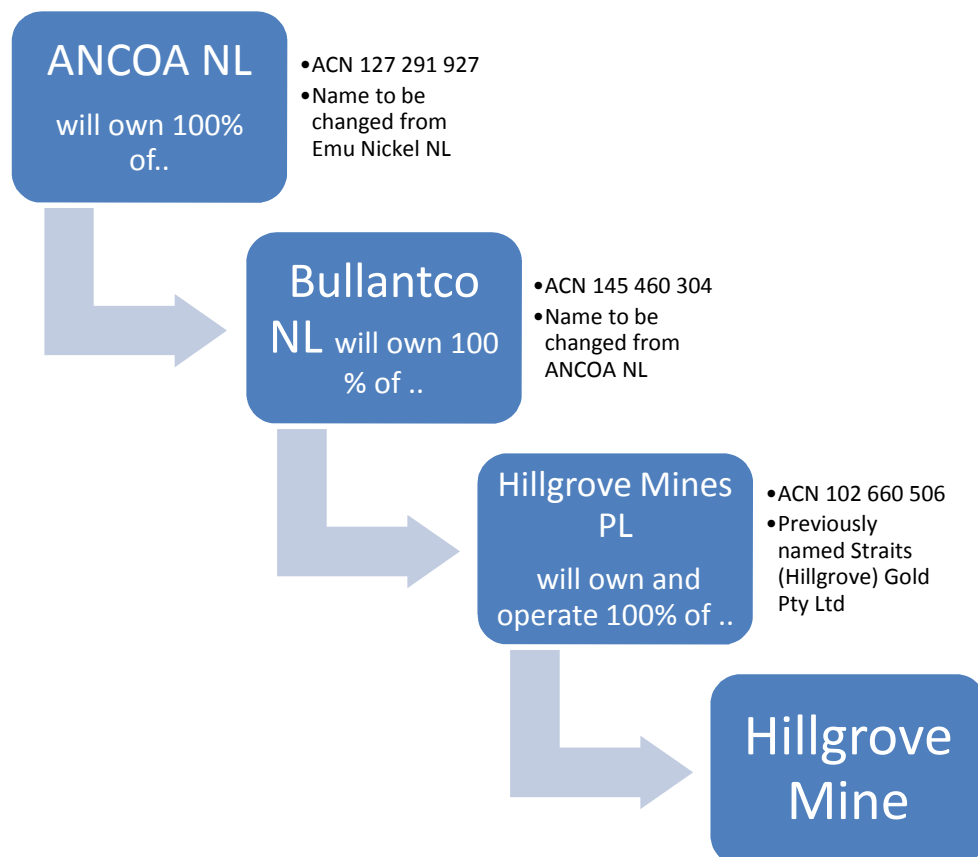
- as a matter of prudence, it is appropriate to do so having regard to the common law;
- as a matter of prudence, if not compulsion, approval is sought for the purposes of Chapter 2E of the Corporations Act;
- shareholder approval for the Transaction is required by the ASX Listing Rules because (among other reasons):
 - it involves Shares being issued to Mr Thomas (one of Emu's directors), Messrs Steemson, Secker and McRostie (who are intended to become directors within a period of 6 months) – ASXLR 10;
 - Each of Messrs Thomas, Steemson, Secker and McRostie has a material personal interest in the Transaction (as vendors of some ANCOA shares) – ASXLR 10;
 - the Transaction will see a significant change in and re-rating of Emu as it plans to transition from explorer to producer within 15 months – ASXLR 11.

This Explanatory Statement (which incorporates the reports of various experts as referred to herein) sets forth information concerning the Transaction (including that prescribed by the Corporations Act and the ASX Listing Rules) to assist you to assess the merits of and to determine how to vote on the Resolutions which are detailed in the Notice of Meeting accompanied by this Explanatory Statement.

Each of the Resolutions is conditional upon the passing of each other Resolution so that none of the Resolutions will have effect unless and until all of the Resolutions are passed PROVIDED THAT if Resolution 1 is not passed but all others are, then the other Resolutions will be effective.

Diagrammatic Summary of the Effect of the Transaction

Notice of Meeting	•Despatch Notice of Meeting
Prospectus	•Lodge Prospectus
Members Meeting	•Shareholder approval •Suspension of Emu from quotation on ASX •Reconstituted board
Option Fee	•Emu to pay ANCOA an Option Fee of \$800,000
Name & Shares Changes	•Name change •Shares are consolidated
Capital Raising	•Minimum subscriptions received
Issue of Shares	•Issue of 27,500,000 Shares to shareholders of the previously named ANCOA NL (now renamed Bullantco Pty Ltd) •Issue of Shares to Prospectus applicants
Completion	•ANCOA purchases Hillgrove Mine •Refund of \$800,000 Option Fee
Re-quotation	•ANCOA (previously Emu Nickel) Shares requoted and suspension lifted



The Resolutions

If passed, the Resolutions enable Emu to:

- change its name;
- consolidate its capital to approximately half the existing number of Shares;
- effect the Capital Raising for the purpose of: (i) completing the acquisition (**Acquisition**) of Hillgrove Mines Pty Ltd (**HMPL**) – the owner of the mine – which will involve Emu acquiring the issued capital of ANCOA and then funding the Purchase Price payable by ANCOA for HMPL (the Purchase Price is to be satisfied in cash to a minimum extent of \$10M); (ii) funding the on-costs of the Acquisition; (iii) funding the recommissioning of the mine; and (iv) providing working capital;
- effect the Capital Raising at the price of \$0.30 with a stapled contingent entitlement to participate (along with existing shareholders) in a bonus pool of 75M contributing shares (**Contingent Entitlement Shares**);

and, contingent on Emu raising sufficient cash,

- complete the purchase of ANCOA (and, via ANCOA, HMPL) which will involve (inter alia) (i) issuing 27,500,000 Shares to the vendors of ANCOA which shares will represent 50% of the issued capital of Emu (post consolidation but pre Capital Raising); and (ii) payment of the Purchase Price which must be satisfied in cash to a minimum of \$10M and as to the balance, as the board elects, in cash, Connnotes or Shares (or a combination thereof) and thus possibly the issue of up to \$30M worth of either Connnotes or Shares (at the same price as Shares are issued to effect the Capital Raising) or a combination of Connnotes or Shares up to that amount;
- initiate the recommissioning of the mine and thereby significantly change the scale and nature of its business.

Emu shareholders will be offered a priority right to participate in the Capital Raising to the extent of \$1M. Straits' shareholders will be offered a priority right to participate in the Capital Raising to the extent of at least \$15M.

Very Important Notes:

- ASX will require trading in Emu Shares on its official lists to be suspended from the date of the meeting at which the Transaction is approved, until the Transaction is completed and Emu has re-complied with ASX Listing Rules Chapters 1 and 2 when trading (**Re-quotation**) shall, subject to compliance with all conditions ASX sees fit to impose, recommence. For the proposed timetable see the section headed Resolution No. 2 – Consolidation of Capital at page 21;
- Emu intends (but is not bound) to satisfy the Purchase Price in cash as to \$10M and as to the balance by the issue of \$30M worth of Connnotes;
- for the purpose of ensuring the board has flexibility to respond to circumstances as they are met and give Emu the best prospect of completing the Acquisition, the Resolutions seek certain authorities upon which the board does not intend to, but may rely.

Why do your directors think the Capital Raising risk is acceptable?

There cannot be any guarantee (and none is given) that the Capital Raising will be completed. If shareholders approve the Transaction but the Capital Raising is not completed then Emu will thereby be adversely affected in that it will have incurred irrecoverable expenses pursuing the opportunity the Transaction represents.

When the Transaction was first announced, it was contemplated that the 27.5M post-consolidation shares to be issued for the acquisition of ANCOA's issued capital would be effected in two tranches with the first tranche of 16.25M shares being contemplated to be issued upon shareholder approval and regardless of whether the acquisition of the Hillgrove mine was completed. Against that now superseded background, ASIC requested commentary as to why your directors thought, in the context of your shareholding being diluted by 37.1% upon the Transaction being approved, acceptance of the risk of the Capital Raising failing was justified as ASIC was then at one stage of the view that "less than 6 months ago ANCOA was not able to complete an IPO for a similar amount of money".

Whilst the restructured Transaction involves a reduced risk consequent upon the Capital Raising failing, the issue still has (albeit now diminished) relevance and, accordingly, the following commentary is advanced in response to ASIC's earlier invitation.

The facts are that: (i) ANCOA has never made an initial public offer; (ii) whilst ANCOA was contemplating making an initial public offer in the last quarter of 2011 the proposal was to raise a minimum of \$80M NOT \$60M as is the current proposal.

ANCOA's (now extant) rights in respect of the mine last year are materially different from its current rights. Under the previous agreement (dated 26 August 2011 – the term sheet for which was signed in April 2011), the purchase price was \$40M to be satisfied in cash as to \$20M and by the issue of shares at the price of the proposed public offering for the balance with completion required by 23 December 2011.

Following execution of the previous agreement in August 2011, due diligence in relation to the proposed IPO and preparation of the IPO prospectus was undertaken and completed by mid-November 2011. Allowing for the exposure period (14 days) and another 14 days for the priority rights to Straits shareholders, only a week was left (running up hard into Christmas) within which to complete the raising of the minimum of \$80M.

Significantly, in April 2011 (when the term sheet was concluded) the all ordinaries index was over 5000, but by August 2011 it had fallen to nearly (and shortly thereafter breached) the 4000 level.

During the last quarter of 2011, the all ordinaries index was extremely volatile and, as ANCOA promoted the story, global stock market indices tumbled both significantly and erratically in the face of the European debt crisis and fears of GFC II. In short there was then no appetite for risk and, in the result (in the context of those and other factors); ANCOA's Board decided there was an unacceptable execution risk facing the raising of \$80M. Recognising this difficulty, ANCOA sought to ameliorate the execution risk it faced by looking to negotiate a new deal with Straits and looking to raise capital via an existing listed vehicle.

By contrast, the current deal intends that payment of only \$10M in cash will be made with the remaining \$30M being vendor financed via Connotes (on terms that Emu regards as being very favourable) with completion due 31 March 2012 (extendable at the election of Emu by one month, to the end of April, upon payment of \$200,000).

All your Directors believe that since Christmas 2011 there has been a marked and very material change in market sentiment. This view is shared by Emu's joint brokers (one Australian based and one New York based with offices around the world, including Australia). Whilst the raising of \$60M is not underwritten (underwriting is a most unusual event in this day and age), both brokers have expressed confidence that each can raise \$60M.

Nevertheless, there remains the risk that the Capital Raising will fail.

Your disinterested directors believe the Transaction is good for both Emu and its shareholders despite the above risk, in comparison to the risks normally taken by exploration companies. In the context of Emu alone, in the 4 years since incorporating in February 2008, has expended some \$5M of its own money whilst others, under farmin/joint venture arrangements, have expended significant additional capital pursuing Emu's objectives of identifying a viable mineral deposit for the benefit of Emu and its shareholders – no Mineral Resources or Mineral Reserve has yet been identified.

By analogy, if Emu is to pursue its interest at Emu Lake by undertaking further exploratory drilling, that will entail expenditure of more than \$1M. Of course, there can be no assurance that the drill holes will intersect mineralisation of economic significance. Even in the scenario that it does intersect highly significant mineralisation, tens of millions of dollars will need to be spent thereafter to try and prove reserves (about which no assurance can be given), on feasibility studies (feasibility may not be the result) and development before Emu would be faced with the prospect of being in the position of being able to go into production. The Transaction means there is a very tangible probability that in a very short timeframe Emu will be a producer.

Your disinterested directors encourage you to look at and contrast the opportunity cost to Emu of it securing its rights under the Transaction (by paying ANCOA an option fee of \$800,000 (**Option Fee** – which will only be paid after shareholders have approved the Transaction and be refundable to Emu in the event that the Transaction **IS** completed) and incurring various other expenses in pursuit of the Transaction), with the relative risk and opportunity cost of drilling exploration holes.

The Option Fee gives Emu the exclusive option to acquire, for just \$10M in cash up-front outlay, Mineral Resources, Mineral Reserves, Ore on the ROM pad, developed underground Ore, plant equipment and infrastructure (all in good order) as well as most of the Hillgrove Mineral Field where the plans of ANCOA for restart and operation have been significantly de-risked and the remaining $\frac{3}{4}$ s of the purchase price is vendor

financed – the total purchase price is less than half the preferred value ascribed to the Reserves by independent expert valuer, Coffey.

Your disinterested directors, whilst not seeking to overlook the risk associated with raising \$60M, regard that risk as being acceptable in the above context.

The disinterested directors of Emu negotiated the Master Agreement with ANCOA on vigorous, protracted and arm's length terms. Messrs Sakalidis and Thomson are large shareholders in Emu (indeed, Mr Sakalidis is Emu's largest shareholder) thus aligning their interests with all shareholders. They wanted to avoid being diluted but thought the upside of a new direction with a possible cash flow and return to shareholders justified the payment of an Option Fee to secure the Transaction. Furthermore, your disinterested directors responded to commentary and suggestions from various parties consequent upon the announcement of the Transaction in its original form, by abolishing the notion of the tranche 1 shares and, in lieu, paying the Option Fee. Tranche 1 shares had an agreed value of \$1,810,097, whereas SIS, applying IFRS, assessed their value to be \$2,120,625 – those shares were to have been issued upon shareholders approving the Transactions. Payment of the Option Fee, which is \$1,320,625 less than SIS's IFRS attributed value of the Tranche 1 shares, is not conditional upon shareholders approving the same.

Mr Thomas was not involved in Emu's determination to pursue the Transaction given his material personal interest therein. An overbearing consideration for all parties to the negotiation and the structuring of the deal was the statutory/regulatory requirement that no benefit could pass in exchange for any rights which ANCOA or its shareholders conferred on Emu in relation to Emu putting its foot on the mine unless and until shareholders first approved the same – it is axiomatic that this introduced a period of delay and exposure that would not be present if there were no related parties and the Transaction was not a significant one.

Emu simply could not consummate the Transaction without shareholder approval because of the Corporations Act on the one hand and, on the other hand, the Listing Rules (significant transactions, and related party issues). Emu wanted to consummate the acquisition of the mine which it considered (as it still does) to represent a significant opportunity to add value for shareholders.

Compliance with the statutory and regulatory requirements necessarily entailed a lengthy period during which ANCOA was asked to confer valuable exclusive rights upon Emu without any fee.

It is most unusual to grant exclusive options to purchase without consideration passing to the grantor at the time of grant.

Conferring such exclusive rights for a lengthy period necessarily exposed ANCOA to considerable uncertainty as to whether it would get paid anything even though it had to close out ANCOA's alternate opportunities in order to deal exclusively with Emu; there was an opportunity cost to ANCOA in committing to Emu. ANCOA was not prepared to assume both the risk of Emu shareholders not approving the Transaction and the market risk attendant upon the Capital Raising without any reward whatsoever. ANCOA insisted Emu must share the risk of the Capital Raising failing.

There were numerous reasons why the terms of the Master Agreement were as they were (as announced 8 February 2012) but, ultimately, ANCOA refused to reach agreement with Emu if ANCOA had to both put the asset into Emu **and** raise \$60M for Emu before it received anything in exchange. To do so would have meant ANCOA would have had to abandon other options under which it might realise the value of its right to acquire the mine whilst, for no assured consideration, adding significant value to Emu in circumstances where Emu assumed no risk at all. Emu's disinterested directors would, it is axiomatic, have preferred not to have to pay anything until the Capital Raising was completed but they had to negotiate to come up with something that was both reasonable and acceptable to both parties – it was difficult (made particularly complex by the statutory and regulatory guidelines). Ultimately, Emu had a choice to agree to pay the Option Fee or lose the opportunity.

In the absence of some consideration being issued upon approval of the Transaction by shareholders, ANCOA would assume the entire risk of the Capital Raising being successful with Emu enjoying all the upside and not being exposed to any of the down side – ANCOA refused to accept that scenario which Emu recognised as being reasonable.

When negotiations were on foot, the value of Emu was, at best, as a shell, assessed by reference to the cash it would have at bank after the deal was done plus the value of it being listed. At the time of negotiation between Emu and ANCOA, the VWAP of Emu shares over an extended period reflected a significant discount to the shell value (presumably on the basis that under the perfectly informed market hypothesis the market had an informed and rational basis upon which to apply that discount). The VWAP attributed value of Emu meant one half the issued capital of Emu (the percentage which ANCOA shareholders would hold) was worth ~\$2M.

EXPLANATORY STATEMENT to NOTICE OF GENERAL MEETING

Reason for the Meeting



Emu satisfied itself that ANCOA had expended (out of pocket expenses without properly allowing for the very significant time value contribution of its directors to ANCOA's intellectual property) in excess of \$800,000 securing rights to the mine, undertaking due diligence with respect thereto and developing valuable intellectual property relevant to the potential exploitation of the mine and marketing of its product.

ANCOA secured the right to buy the mine for \$40M, a price which it and Emu both perceived was considered to be a substantial discount to their respective assessments of the mine's value. A **Preferred CASH VALUE OF \$81M** was subsequently ascribed by an independent valuator to the Mineral Reserves (without ascribing any value to intangibles and other components of the ANCOA value proposition).

Very importantly, the independent valuator stated:

"Regardless of the valuation techniques adopted, the consideration must reflect the perceived "fair market value", which is described in Definition 43 of the Valmin Code as:

"the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion."

The total consideration under the Master Agreement is expressed to be \$3,063,241 whereas (based on the Capital Raising being effected at \$0.30 per Share) SIS expresses it to be \$8,250,000 – a differential of \$5,186,759.

ANCOA agreed, at the request of the disinterested directors of Emu (in order to enable them to comply with statutory and regulatory requirements arising from the fact that the Transaction involves related parties), to the purchase price being satisfied by the issue of Emu Shares.

It was agreed that the shares would be issued at the notional price which reflected 80% of the 3 month VWAP. Emu's view is that the appropriate time at which to assess the value of the 27.5M post-consolidation Shares was the time the agreement was reached, not at a future date when the value of Emu shares will reflect the added value introduced to Emu by ANCOA. It is reasonable to expect that if Emu had sought to raise cash to effect the payment in a market that had no knowledge of the Transaction (absent a premium being paid for a change in control) would have involved a discount to the VWAP would have been involved.

To assess the value of the shares at the date of their issue as SIS has done (ANCOA and Emu recognise SIS's approach is correct for book keeping purposes under IFRS – IFRS is directed at enabling investors to compare like with like not at determining market values) leads to the ludicrous commercial result that the more value ANCOA added to Emu's share price, the less consideration ANCOA could receive if the Transaction was to be fair (using "fair" in the regulatory sense).

Your disinterested directors are of the view that it is not a sustainable proposition (which, in Emu's view, is the effect of the IFRS approach) that the amount that ANCOA shareholders should "fairly" receive, in terms of numbers of shares, is inversely proportional to the uplift in value in Emu shares driven by ANCOA delivery to Emu of the rights to acquire and the subsequent acquisition of the mine by Emu.

The value of Emu shares as at the date of this Notice, reflects knowledge of the proposal to implement the Transaction. Indeed, Emu implemented a trading halt in its securities when it became apparent that there was unusual trading activity which lifted the price of shares on ASX to \$0.08 (up from a VWAP of ~\$0.064 over the previous 3 months). On the day of the trading halt being lifted (and following the proposal for the Transaction being announced), the closing price on the ASX reflected a 94% increase from that VWAP price.

The price of Emu shares closed at \$0.105 on the last day the Shares were traded before the date of this Notice. That price factored in knowledge of the Transaction and the delay in despatching this Notice.

The Option Fee

Your directors are satisfied that payment of the Option Fee for the purpose of securing to Emu the exclusive opportunity (exclusive option to purchase) to acquire the mine (for the period commencing on the date of the terms of the Master Agreement being amended (20 February 2012) until the Capital Raising is completed or fails) is entirely justified on a commercial arm's length basis and is attractive to non-associated shareholders because, inter alia:

- the terms of the Transaction reflect entirely commercial terms negotiated on an arm's length basis which, despite the significant consequence of the risk of the Capital Raising failing, are considered by Emu's directors to be attractive to Emu and its shareholders;

- Coffey's **preferred value of the mine** is **\$81M** which Coffey states is the amount of cash that should change hands in an open and unrestricted market between a willing buyer and a willing seller in an arm's length transaction with each party acting knowledgeably, prudently and without compulsion. This value does not account for the return Emu expects to get from the conversion of existing Mineral Resources to Mineral Reserves and new discoveries which Emu is confident will be made within the tenement package;
- **the purchase price for the mine should be seen for what it is – half the Coffey valuation;**
- the structure of the Transaction was driven by the need to accommodate the market risk to which ANCOA is exposed arising from the need for Emu to comply with the ASX listing rules as a condition to Emu committing to the Transaction (such compliance entailing, inter alia, delay and scrutiny by independent experts (the results of which could not be pre-empted) and consequential market risk);
- by committing to the Transaction, ANCOA forsook all other opportunities to capitalise upon its rights under the SSA – the Option Fee is considered by Emu's directors to be reasonable;
- conversely, the consequence of Emu not pursuing the Transaction is likely to be that its cash reserves will continue to be depleted and need be replenished by a capital raising at a discount to market unless the capital raising is accompanied by a change of control;
- since listing in February 2008, Emu has expended some \$5m without generating a company making opportunity and your directors consider that the Transaction represents such an opportunity.

Dividend Policy

If the Transaction is completed, Emu will adopt as its dividend policy:

No dividend will be paid within two years of [completion]. Thereafter Emu's policy is to distribute to shareholders all funds surplus to its investment and operating requirements (as determined by the Board) with a target dividend payout ratio in respect of each financial year of 60% of free cash flows, subject always to:

- *availability of distributable profits (if any);*
- *solvency requirements;*
- *banking or other funding covenants by which the Company is bound from time to time; and*
- *acquisitive and organic growth opportunities.*

How the Resolutions may be approved

Approval of an ordinary resolution occurs when the resolution is passed by at least 50% of votes cast (in person or by proxy) by members entitled to vote on the resolution. Approval of a special resolution occurs when the resolution is passed by at least 75% of votes cast (in person or by proxy) by members entitled to vote on the resolution.

What Shareholders must do

Shareholders are encouraged to attend and vote in favour of each of the Resolutions (in relation to which they are eligible to vote) to be put at the Shareholders' Meeting.

If you are not able to attend and vote at the Shareholders' Meeting, you may complete the proxy form accompanying Notice of Meeting and return it to Emu's registered office (the address which appears on the Notice of Meeting) not later than 48 hours before the time specified for the commencement of the Meeting.

Independent Expert's Reports

As required by the ASX Listing Rules, Emu commissioned an expert (Stanton International Securities – **SIS**) to consider whether the Transaction is fair and reasonable to shareholders not associated with any parties deriving any benefit under any of the agreements involved in the Transaction. In turn, SIS engaged Coffey Mining Pty Ltd (**Coffey**) to report as to the value the mine.

The SIS report accompanies this Explanatory Statement whilst the Coffey report and the Roskill executive summary are available at www.ancoa.com.au, and they are hereby incorporated in this Explanatory Statement. These reports, together with the executive summary of a report prepared for ANCOA by Roskill Consulting Group Limited (**Roskill**) with respect to the Antimony market, comprise part of this Notice of Meeting.

Directors' Recommendations and Interests

As Mr Thomas has a material personal interest in ANCOA as is detailed in this Explanatory Statement, he disqualified himself from participating in board decisions regarding the Transaction (including the decision to refer the matter to shareholders). For the same reason Mr Thomas declines to make any recommendation regarding the Resolutions the subject of this Notice of Meeting.

The remaining directors (being Messrs Sakalidis and Thomson) do not have a material personal interest in the outcome of any of the Resolutions, were available to and did consider the Resolutions both individually and collectively. Messrs Sakalidis and Thomson recommend that non-associated shareholders vote in favour of each of the Resolutions as they consider the Transaction to be in the best interests of Emu and its shareholders despite there being some serious risks as is detailed in this Explanatory Statement.

Other than the information disclosed above or in this Explanatory Statement, no director of Emu is aware of any other information that is reasonably required by non-associated shareholders in order to decide whether or not it is in the best interests of Emu and its shareholders that the Resolutions be passed.

GENERAL INFORMATION

Preamble

The purpose of the information presented in this section (General Information) is to provide an overview of the Transaction whereas the section headed "Information specific to each Resolution", whilst augmenting the information in this section, is more specific to or is required by either or both the ASX Listing Rules or the Corporations Act to be given in relation to particular Resolutions.

Information provided specifically in relation to one Resolution may be relevant to other Resolutions and, hence, this Explanatory Statement needs to be read as a whole in order to understand its full impact.

Background

Emu Nickel NL (**Emu**) was incorporated 29 August 2007 to undertake exploration for base metal mineralisation, primarily nickel, in the Yilgarn Craton of Western Australia pursuant to an earn-in and joint venture agreement with Image Resources NL.

In February 2008, Emu was admitted to the official lists of the Australian Securities Exchange (**ASX**). Since then it has pursued the objectives espoused in its initial public offering prospectus. Despite this, Emu has not generated a company making prospect, prompting Emu to examine many project submittals over the past 18 months – all have been rejected until the Hillgrove proposition was tabled. That proposition stood head and shoulders above all other submittals.

The opportunity only arose because of the volatility and turmoil in global equities markets experienced in the last quarter of 2011.

Emu has been fortunate enough to secure the right to become the owner of the mine. Emu considers the acquisition of the mine will be a company maker. Project opportunities of this maturity at a sensible price are extremely rare.

Why Antimony?

See the Roskill executive summary at www.ancoa.com.au for more information on this topic.

The British Geological Survey recently ranked the "... relative risk in 2011 to the supply of ... elements ... which we need to maintain our economy and lifestyle." – antimony ranked first.

Antimony is a minor but strategically important metal used for consumer, industrial and military markets.

The dynamics of the antimony market have changed dramatically over the last 5 years. Of global mine production (estimated at 157,000 tonnes in 2010), China produces around 77%. Chinese mine production has been constrained due a number of factors including, significantly, Chinese Government policies and rapidly diminishing Chinese reserves. This has resulted in significant increases in the antimony price.

Roskill foresees the above supply trend continuing and consumption having a CAGR of 5%, thus maintaining upward pressure on antimony prices.

Around 52% of antimony consumption is used in flame retardant formulations for textiles, plastics and rubber (4.0% CAGR growth rate since 2000). It is an ingredient in alloys to increase hardness, strength and anticorrosion (~38% of consumption, 4.1% CAGR growth rate since 2000); such uses include lead-batteries, solders and ammunition. The third main use is as a catalyst for production of polyethylene terephthalate plastics such as that used in beverage, food and other liquid containers (~10% of consumption, 6.6% CAGR growth rate since 2000).

A potential use for antimony under development is a new generation of much smaller memory devices which use an alloy of germanium, antimony and tellurium that are reputedly up to 30 times faster than the technology they replace (possibly flash drive memory, mobile phones and USB sticks). If this technology takes off, which is not expected to occur until 2016 at the earliest, each device will only use tiny quantities of antimony.

Despite substitution being possible in at least some applications and there being talk of substitution being driven by the significant rise in price of antimony, Emu is unaware of antimony being substituted to an extent that is likely to dampen demand to a material degree.

The Mine

The mine, with aggregate historic production of 49,000 tonnes of antimony and 720,000oz of gold, has globally significant antimony resources and reserves. It hosts defined resources of ~100,000 tonnes of antimony and 860,000oz of gold. It is the largest identified antimony resource outside of China which is ready to be brought into production within 12 months of the Capital Raising; and there is significant exploration upside.

HMPL's tenements cover 425km² and there are ~200 known deposits of antimony in the vicinity of the mine. These tenements have considerable exploration potential. During 2011, Straits discovered significant mineralisation in two separate areas as a result of conducting, for the first time in many years, exploration, applying modern techniques, away from known resources. Emu is confident that a dedicated exploration effort will result in additional discoveries.

Hillgrove is approximately 23km east of Armidale, a major regional centre with a population of over 22,000 and schools, hospitals and other services normally associated with a city of this size. It sits in the Hillgrove Mineral Field which was one of the major goldfields in New South Wales. Gold and antimony mining commenced in Bakers Creek Gorge in 1877. Modern operations commenced in 1969 with the re-opening of several old workings and the construction of antimony concentrate production facilities. Production from nine separate deposits provided mill feed to the concentrator over the ensuing 30 years with the principal operator being New England Antimony Mines NL.

The mine is located in Bakers Creek gorge which is a significant topographic feature with its bottom being ~500m below the level of the surrounding tableland. The mine's associated plant and infrastructure is on the tableland above the gorge and is adjacent to the Hillgrove village (population ~90).

The mine was acquired by Straits from Antimony Resources Australia in April 2004. Straits embarked on an extensive exploration and resource drilling program in the immediate vicinity of the known resources and undertook metallurgical investigations culminating with an extensive mine establishment phase during 2007-2008. Mining operations commenced in early 2008. Commissioning of a new plant to produce antimony metal onsite commenced in the September quarter of 2008. High quality metal production was achieved but significantly below design capacity due to various processing issues.

The mine was placed on care and maintenance in 2009 due to the processing issues when the antimony metal price (CIF USA) was ~US\$6,000 per tonne compared to ~US\$14,000 to US\$18,000 during 2011. A solution to the issues that closed the mine have since been demonstrated by test work.

The mine is ready to go back into production with haul and access roads, declines and ore drives in place to allow extraction of ore to start at any time.

Resources and Reserves

The Hillgrove Ore Reserves are currently reported (28th January 2010 by Straits) as 2,195,000t at 2.1% Sb and 3.8g/t Au (~10g/t Au equivalent). Of these; 0.386Mt @ 2.4% Sb and 3.6g/t Au are classified as Proved Reserves and 1.809Mt @ 2.1%Sb, 3.8g/t Au are classified as Probable Reserves.

The Hillgrove Mineral Resources (the figures for which include the reported Ore Reserves) are currently reported (9th May 2011 by Straits) as 6,349,000t at 1.6% Sb, 4.3g/t Au and 0.02% W (~9g/t Au equivalent). Of these, 1.02Mt @ 1.9% Sb and 5.1g/t Au are classified as Measured Resources, 3.54Mt @ 1.5% Sb, 4.0g/t Au and 0.01% W are classified as Indicated and 1.79Mt @ 1.6% Sb, 4.3g/t Au and 0.05% W are classified as Inferred.

Coffey states that the Reserves estimated by Straits work will be contained within any new estimate using revised cut-off grades based on current costs and commodity prices. Coffey considers that the Reserves as declared by Straits should be achievable.

In December 2011, antimony and gold prices (~\$13,000/t and ~\$1,650 respectively) were significantly higher than the prices (\$5,000/t or \$5,500/t and \$1,000/oz respectively) used in the reported estimates of Mineral Resources and Ore Reserves. The application of increased metal prices to the cut-off grade equivalence formula applied to derive the reported estimates of Mineral Resources and Ore Reserves will increase Mineral Resources and Ore Reserves thus providing the option to increase mine life and/or profitability.

Prior to the re-commencement of mining, Emu will re-estimate the Mineral Resources and the Ore Reserves to optimise mining operations.

Competent Person

The information in this Notice of Meeting and Explanatory Statement that relates to Mineral Resources and Ore Reserves is based on information compiled by Mr Byron Dumbleton (as to resources) who is a Member of the Australian Institute of Geoscientists and Mr Peter Storey (as to reserves) who is a Member of The Australasian Institute of Mining and Metallurgy. Messrs Dumbleton and Storey are full-time employees of Straits Resources Limited and each consents to the inclusion of the matters based on information provided by them respectively in the form and context in which it appears.

Each has sufficient experience relevant to the style of mineralisation and to the type of deposit under consideration and to the activity undertaken by them respectively (to compile said Mineral Resources and Ore Reserves information) to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

The Plan

Emu has adopted ANCOA's plans to bring the mine into production 12 months after completion of the Capital Raising. Emu will be one of but a very small number of listed companies worldwide producing significant quantities of antimony at a time when predicted antimony prices will exceed recent historic highs.

Emu, through ANCOA, has a team and plans in place to initiate the immediate recommissioning of the mine.

The underground mining method proposed by ANCOA (and to be adopted by Emu) was trialled (and thereby proven as viable) by Straits prior to it suspending operations.

Whereas Straits produced antimony metal, Emu has adopted ANCOA's proposal to produce two concentrates using a processing route which was demonstrated to be viable, without having been optimised using state of the art technology, by the previous 2 owner/operators as well as by recent metallurgical test work undertaken by ANCOA.

To produce the two concentrate streams, the existing processing plant requires modification at an estimated cost of \$28m. Upon Re-quotation, Emu will complete the final test and design work for the plant and then tender the construction work. Long lead items will be ordered as soon as the requirement has been established.

The mine has a variety of ore sources which could allow Emu to vary the output of product from more antimony to more gold (and, of course, vice versa).

The antimony concentrate will be amenable to several processes to upgrade the product before shipping. Any decision regarding downstream processing will depend on terms offered by counterparties and the analysis of cost/benefit to Emu. Whilst there is no immediate plan to pursue the downstream processing opportunities, these opportunities will be subject to continuing analysis.

A pressure oxidation plant, suitable for treating the gold rich arsenopyrite concentrate, is on site. Initially, insufficient arsenopyrite concentrate will be produced to run this plant continuously. Should production levels or scheduling allow the operation of the plant, Emu will produce gold dore on site with the attendant benefits. A decision regarding this processing route will be made once the operation has been commissioned and is running smoothly.

Emu has adopted ANCOA's plan to produce 20,000-25,000ozpa gold in concentrate and 4,000-5,000tpa of antimony in concentrate and at an estimated cost of \$132pt¹ of mill feed (comprised of mining and processing costs of \$108/t, site administration and overheads of \$16/t and budgeted corporate overheads equivalent to \$8/t – all based on targeted annualised mill throughput of 250,000tpa).

Based on ANCOA's plans as detailed and assuming that: (i) the gold price is \$1,400 per ounce; (ii) the antimony price is between \$13,000 to \$15,000 per tonne; (iii) metal recoveries of 80%/gold and 85%/antimony; (iv) an exchange rate of par; (v) the recommissioning and ramp goes as planned, the project should generate annual revenues of between \$70M and \$80M, starting within the 12 month period between 20 and 32 months from the Capital Raising being completed. Annual expenditures of ~\$33M commencing from the same date will also be incurred, excluding any allowance for exploration. Based on these parameters, given current reported Ore

¹ It is noted that Coffey used \$146.46 per tonne of ore operating costs – Emu is satisfied with its estimate of \$132. There are many other differences between the assumptions used by Coffey and Emu so it is necessary to appreciate these differences when comparing observations made by Coffey on the one hand and Emu on the other.

EXPLANATORY STATEMENT to NOTICE OF GENERAL MEETING

General Information



Reserves and the planned throughput, Emu expects to operate the mine for at least a decade without regard to Emu's expectation that its planned exploration will significantly extend that mine life.

ANCOA has engaged with several industry participants and agreed commercial in-confidence unenforceable but in principle terms for the smelting and sale of product from the mine. These terms, which are subject to acquisition of the mine by ANCOA, deliver synergistic benefits to the parties enabling Emu to secure a greater share of the value of its product than it could otherwise expect.

Outline of the Transaction

Pursuant to an agreement (**Master Agreement**) with ANCOA, Emu agreed to pay ANCOA an Option Fee of \$800,000, offered to acquire the entire holding of shares of every ANCOA shareholder and if each ANCOA shareholder accepts the offer, then Emu shall have the right to acquire the entire issued capital of ANCOA (the offers, once all accepted, are collectively referred to as the **ANCOA Acquisition Agreement**).

ANCOA, as purchaser, under an extant share sale agreement (**SSA**), has the right to purchase the entire issued capital of HMPL for the Purchase Price (of \$40M). The Purchase Price must be paid in cash to at least the extent of \$10M with the balance (of \$30M) to be satisfied in cash, by the issue of Shares or the issue of Connotes (or a combination of any thereof) as Emu elects.

Contingent on circumstances as they exist at the time, it is Emu's intent to pay the Purchase Price as \$10M in cash and satisfy the balance by the issue of Connotes (rather than paying more cash or issuing any Shares). The maximum number of Connotes that will be issued is 70,588,235.

The terms of the Connotes (which will constitute quasi debt/equity) are detailed in Appendix C.

The acquisition by Emu of ANCOA NL is conditional on ANCOA NL acquiring HMPL. HMPL is the owner of the mine. Emu intends to concentrate on recommissioning that mine whilst exploring for further antimony/gold deposits within the tenement package at Hillgrove held by HMPL.

HMPL (a wholly owned subsidiary of ASX listed Straits Resources Limited - **Straits**) is the owner of the mine, all plant and equipment required to operate the mine and a package of tenements surrounding the mine.

For further details of the terms of the Master and ANCOA Acquisition Agreements, refer summary of those agreements which appear in the section of this Explanatory Statement which provides information specifically relevant to Resolution No. 3.

Capital Structure following Capital Raising and Acquisition

If the Resolutions are passed, Emu intends to:

- seek to effect the Capital Raising (with an intended minimum of \$60M but in any event with a maximum of \$70M) under a prospectus at an offer price per Share of \$0.30 and to elect to satisfy the Purchase Price by:
 - paying the minimum amount of cash (\$10M) even if the maximum subscription is raised; and
 - issuing Connotes only for the balance (\$30M) of the Purchase Price (rather than paying any of the balance in cash or by the issue of Shares). It is intended that the maximum number of Connotes that will be issued shall be 70,588,35 - being \$30M divided by the conversion price of \$0.425;
- issue 75M Contingent Entitlement Shares details of which appear under the heading Resolution No- 7 - Approval for issue of partly-paid shares (Contingent Entitlement Shares) in this Explanatory Statement.

EXPLANATORY STATEMENT to NOTICE OF GENERAL MEETING

General Information



The following table shows the diluted capital of Emu as it will be on completion of the Capital Raising and the Transaction but excluding the effect of the Contingent Entitlement Shares as it is assumed that all current holdings equal or exceed 7,000 Shares and the contingent entitlements to the Contingent Entitlement Shares (as between current shareholders and applicants under the Capital Raising) will be in the same proportion as shown in the table. The table also assumes that the Purchase Price is satisfied as to \$10M in cash and as to the balance (\$30M) by the issue of 70,588,235 Connotes:

	\$60M Raising	%*	\$70M Raising	%*
Shares on issue after completion of the acquisition of ANCOA	55,000,000	21.6	55,000,000	19.1
Shares to be issued pursuant to the Offer	200,000,000	78.4	233,333,333	80.9
Total Shares	255,000,000	100.0	288,333,333	100.0

* as diluted on completion of Capital Raising but excluding the Contingent Entitlement Shares

The table shown in "Appendix A – Emu Nickel Share capital structure" reflects who will receive the 27.5M post-consolidation Shares to be issued in exchange for the capital of ANCOA and the impact of both the Transaction as a whole (including the Capital Raising) on the capital structure of Emu assuming the intent above is implemented. It also details how many Shares each ANCOA shareholder (including related parties – Messrs Steemson, Thomas, Secker and McRostie) will receive and what percentage of Emu each will hold at the various stages on the Transaction.

If less than \$60M is determined by the board to be the amount of the Capital Raising, then the dilution suffered by shareholders will diminish.

Purpose of the Capital Raising

The purpose of the Capital Raising is to fund the immediate acquisition and, within 15 months thereof, and to enable Emu to pursue its objective of bringing the mine back into production at a time of historically high antimony prices using a fresh approach to mining, processing and marketing.

If only \$60M is raised, it is intended that the funds will, in rounded terms, be applied approximately as to: (i) \$12M to the minimum cash component of the Purchase Price and associated cash costs of acquiring the Hillgrove Project; (ii) \$32M for plant refurbishment/modification and new mining equipment; (iii) \$9M to cover the anticipated cost of operation to start up; (iv) \$3M to the costs of the Offer; (v) \$4M to an environmental bond; and (vi) the balance (together with pre Offer cash reserves) to other items including exploration. It is intended that any amount raised in excess of \$60M will be applied to general working capital.

Current and Proposed Directors

The current directors of Emu are Messrs Thomas, Sakalidis and Thomson. If the Resolutions are passed, Mr Steemson will be appointed to the board and Mr Thomson will resign. It is intended that Messrs McRostie and Secker (directors of ANCOA along with Messrs Thomas and Steemson) will be appointed as additional directors of Emu on a date yet to be determined after Resolutions 2 to 9 (both inclusive) are passed and before completion of the Transaction.

Greg Steemson will become Emu's managing director. He is a geologist/geophysicist with nearly 40 years hands on mining, development and exploration experience over a wide range of geographies and commodities.

Peter Thomas, a retired lawyer having for over 30 years provided legal and commercial advice to explorers and miners, is and will remain chairman of directors.

Peter Secker (a proposed non-executive director) is a mining engineer of 30 plus years' experience. He has built and operated mines in Australia, Fiji, South Africa and China.

Greg McRostie (a proposed non-executive director) is a mechanical engineer with greater than 20 years' experience in the design and construction of mineral processing facilities for a broad range of commodities.

George Sakalidis is an exploration geophysicist with over 30 years' industry experience; he is presently an executive director but from completion of the Transaction he will be a non-executive director.

EXPLANATORY STATEMENT to NOTICE OF GENERAL MEETING

General Information



All the current and proposed Directors have experience serving on the boards of listed companies and bring relevant experience to ANCOA pursuing its objectives.

The annual remuneration (including superannuation) as from completion of the Transaction of the then proposed directors is proposed to be:

Director	Remuneration Proposed
Greg Steemson – Proposed Managing Director and CEO	\$420,000
Peter Thomas – Chairman	\$100,000
Peter Secker– Non-Executive Director	\$30,000
Greg McRostie– Non-Executive Director	\$30,000
George Sakalidis– Non-Executive Director	\$30,000

excluding allowances paid for service on each (if any) committees on which they sit.

Currently, Messrs Thomas and Sakalidis (the continuing directors) each receive directors' fees (including superannuation) of \$54,500 per annum.

Over the past 2 years, Messrs Sakalidis and Roger Thomson, through associated entities, have provided consulting services to Emu and payment therefor has been effected at the respective rates of \$155/hr and \$135/hr (plus GST). These arrangements will not persist past completion of the Transaction. Since 1 July 2010, no equity remuneration has been provided to any director.

Refer Appendix A – Emu Nickel Share capital structure for details of each proposed director's expected relevant interest in Emu Shares on completion of the Transaction.

Pursuant to separate but similar agreements between Emu on the one hand and Messrs Thomas and Steemson separately on the other, Emu has agreed to pay each a consulting fee of \$30,000 per month to assist Emu implement the Transaction. The term of the engagement is from 1 December 2011 until the earlier of (i) 31 March 2012 or (ii) completion or abandonment of the Transaction. The disinterested directors of Emu regard the financial benefits provided under these agreement to fall within arms-length and reasonable remuneration exceptions to the general prohibition against financial benefits being provided to related parties and hence the terms of these agreements have not been submitted to shareholders for approval under Chapter 2E of the Corporations Act.

Principal Risk re the Transaction

See the section below for risks associated with the mine. You should read the Independent Experts Reports to understand and put these (and other) risks into context.

If shareholders determine to proceed as proposed by Resolutions 2 to 9 (both inclusive) but Emu fails to raise sufficient funds to enable it to complete the Acquisition, then Emu will not acquire the Mine and will have incurred significant expenses pursuing the Transaction. There is, undoubtedly, a real risk that Emu will not be able to raise \$60M required to acquire the mine – for a discussion on this topic see the heading Why do your directors think the Capital Raising risk is acceptable? at page 8.

Principal Risks re the Mine

The Hillgrove mine area is an historic mineral field; mining commenced in 1877.

Until the early 1920s (when mining activities ceased), in accordance with the then prevailing practice, waste rock and tailings from the mines were disposed of into the river. Disposal practices since operations resumed in the late 1960s adopted more modern practices.

The site has legacy issues arising from the pre 1960 practices as well as from recent operations; these specific risks are detailed immediately below.

(Principal Risk No. 1 – Tailings storage facilities (“TSF”))

TSF 1 – This is an historical tailings dam and needs to be closed for which there is a plan.

TSF 2 – Was used by the vendor and currently contains water that needs to be filtered before it can be used in the plant. This water needs to be carefully managed to prevent the production of hydrogen sulphide (rotten egg gas). Once the water has been filtered, ANCOA’s changed end product plan virtually eliminates this risk and, in any event, ANCOA will change management practices and, in addition, has a plan to ameliorate any adverse effects in the very unlikely event of an unexpected recurrence.

(Principal Risk No. 2 – Emergency storage dams (“ES”))

ES 1, 2 and 3 contain run-off water from the minesite and therefore contain elevated but not harmful levels of base metals. Management of the water in these dams is required to mitigate against this water being discharged into the river system.

A filtration plant has been purchased which is suitable to clean up water to enable it to be discharged off site from the emergency storage dams. The plant will also serve to remediate the water in TFS 2 for re-use in the flotation plant.

(Principal Risk No. 3 – Waste rock dumps (“WRD”))

There are two WRDs in the gorge. One will be the shared responsibility of ANCOA and the State (as part of it is a designated derelict minesite). ANCOA will be responsible for the other which needs to be managed for which there is a plan.

(Principal Risk No. 4 – Haul Road)

Ore has to be hauled from the gorge to the processing plant along one of two haul roads. The shortest haul road is subject to infrequent closure due to rain events as a consequence of which ore has to be carted along the longer, second haul road.

(Principal Risk No. 5 – Marketing & pricing product)

ANCOA plans to make concentrate on site. The success of ANCOA is contingent, in part, on securing offtake (or other) agreements with counterparties on reasonable terms for product which cannot be traded on a metals exchange. ANCOA’s results will be sensitive to shifts in exchange rates and commodity pricing. ANCOA anticipates that the net price it receives for its concentrates will, broadly speaking, be determined by reference to prevailing metal prices after allowing for deductions for freight and concentrate treatment charges.

INFORMATION SPECIFIC TO EACH RESOLUTION

Preamble

Resolution No. 1 is a special resolution (requiring a 75% majority) and the other Resolutions are ordinary resolutions (and thus require a simple majority).

Resolution No. 1 – Change of Company Name

Emu intends to acquire ANCOA NL conditional on it acquiring HMPL. HMPL is the owner of the mine. Emu intends to concentrate on recommissioning that mine whilst exploring for further antimony/gold deposits within the tenement package at Hillgrove held by HMPL.

The change of name (AN-OA - **AN**timony **C**ompany of **A**ustralia) is appropriate because significant goodwill is attached to the name ANCOA (the present name of the company to be acquired by Emu which will be renamed) and the name better reflects Emu's new focus.

The change of name will only occur if the ANCOA Acquisition is completed.

Resolution No. 2 – Consolidation of Capital

Section 254H of the Corporations Act provides that a company may, by resolution passed in general meeting, consolidate and divide all or any of its Shares into a larger or smaller number of Shares. Emu's Constitution permits the same. If the resolution is approved, every ~2.1756 Shares and ~2.1756 options on issue will be consolidated into 1 Share or 1 option (as the case may be). Any fraction of a Share or option resulting from the consolidation will be rounded up to the nearest whole number.

The effect of the consolidation is to reduce the number of Shares from 59,828,940 to 27,500,000* (a factor of ~2.1756) and the number of options from 12,010,000 to 5,520,322* (a factor of ~2.1756) and increase the exercise price of each option by the same factor. More specifically, the consolidation of the options will result as follows:

Expiry	Pre con #	Post con #	Pre con exercise Price	Post con exercise Price
27.2.2013	10,000,000	4,596,438	\$0.50	\$1.0878
22.12.2014	1,830,000	841,148	\$0.27	\$0.5874
21.12.2015	180,000	82,736	\$0.1961	\$0.4266
	12,010,000	5,520,322		

*This number may vary due to rounding and adjustment to correct the register.

Upon completing the consolidation of capital, Emu will despatch a notice to security holders advising them of the number of securities they held prior to consolidation, and the number of securities they hold post consolidation. Emu will also arrange for new certificates/holding statements to be issued to security holders in due course.

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Following is the proposed timetable*:

Event	Business day
Reorganisation approved and Emu is suspended from quotation	Wednesday 4 April 2012
Last day for trading in pre-reorganised securities	Thursday 5 April 2012
Trading in reorganised securities would ordinarily commence on a deferred settlement basis	Tuesday 10 April 2012
Last day to register transfers on a pre-reorganisation basis	Monday 16 April 2012
Send notice to security holders	Tuesday 17 April 2012
Issue holding statements	Tuesday 17 April 2012
Dispatch date	Monday 23 April 2012
Deferred settlement market would ordinarily end	Monday 23 April 2012
Last day for securities to be entered into the holders' security holdings	Monday 23 April 2012
Send notice to security holders	Monday 23 April 2012

*The actual timetable for the consolidation will be announced to the market once known.

Resolution No. 3 – ANCOA NL Acquisition

(Master Agreement)

By the Master Agreement (between Emu, ANCOA, Steemson, Thomas, Sakalidis and Thomson), Emu agreed to make and ANCOA agreed to recommend its shareholders accept a scrip for scrip offer for all the shares in ANCOA on the terms governed by the Master Agreement (reflected in the Scrip for Scrip Offers the terms of which are detailed below). Other material terms of the Master Agreement are now detailed:

- Emu is to pay ANCOA an Option Fee of \$800,000 but only after shareholder approval has been given to the Transaction and then on the condition that the Option Fee of \$800,000 remain in ANCOA and be refundable to Emu in the event that the Transaction is completed;
- Messrs Sakalidis and Thomson agreed to personally support and vote (and to cause their associates to vote) all Shares in which they have a relevant interest in favour of the Resolutions;
- Messrs Sakalidis and Thomson agreed (in both their personal and directorial capacities) to recommend (and to maintain that recommendation) that shareholders support and vote in favour of the Resolutions subject however to provisions permitting them to avoid compliance with this requirement so that they may comply with their fiduciary duties - if the Master Agreement is terminated by Emu in reliance on such permissive avoidance provisions, Emu will immediately pay ANCOA a break-fee of \$400,000;
- Messrs Thomas and Steemson, in their capacity as directors of ANCOA, have a reciprocal obligation vis-a-vis ANCOA subject to the same qualification. If the Master Agreement is terminated by ANCOA wrongfully in reliance on these provisions, Emu is to be paid a break-fee of \$65,000;
- Emu agrees to secure (forthwith) support for the Resolutions by independent shareholders holding in aggregate 19.9% of Emu voting Shares;
- Emu is to bear all costs of implementing the Transaction;
- Emu enters the Transaction on a where-is-as-is basis in reliance upon its own inspection, enquiries, investigation and searches.

(Scrip for scrip offers)

Pursuant to the Master Agreement, Emu has offered to acquire, on a scrip for scrip basis, the entire issued capital of ANCOA subject to the shareholders of both entities approving the Transaction and various other conditions being satisfied or waived.

The material commercial terms of the scrip for scrip offers are reflected in the terms of Resolution No. 3 save that:

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- there are various conditions precedent and subsequent which, for presently relevant purposes, include each ANCOA shareholder accepting the scrip-for-scrip offer, all approvals required by the Corporations Act and the ASX Listing Rules being obtained by each of Emu and ANCOA separately (including the Resolutions being passed) and, most significantly, the issue of the 27.5M post-consolidation Shares is conditional upon Emu's shareholders approving the Resolutions and Emu raising funding (intended to be via the Capital Raising) in such amount as is nominated by ANCOA to be sufficient for the purpose of Emu funding: (i) ANCOA's obligation to pay (\$10M) cash as part of the Purchase Price at completion of the purchase by it of all HMPL shares; and (ii) the planned refurbishment of the existing plant at Hillgrove; and (iii) the purchase of new mining equipment in accordance with the plan submitted by ANCOA and adopted by Emu with a view to recommencing mining and processing activities;
- Emu agrees to fund the minimum cash (\$10M) amount payable on account of the Purchase Price and to satisfy the balance of that Purchase Price (\$30M) in cash or by the issue of Shares or Connnotes or a combination of any thereof;
- the completion of the purchase of all ANCOA shares is to occur before ANCOA acquires HMPL (but the agreement contemplates that ANCOA will then be in a position to complete the Acquisition because Emu will have completed the Capital Raising);
- each of the contracts coming into being upon acceptance of a scrip for scrip offer may be terminated without penalty if the All Ordinaries Index falls below 3600;
- only Messrs Thomas and Steemson give warranties other than in relation to the shares in ANCOA being sold by them – and even then Emu's claims for a breach of those warranties is very limited given Emu enters the Transaction on a where-is-as-is basis in reliance upon its own inspection, enquiries, investigation and searches;

(SSA – share sale agreement - HMPL)

The material terms of the SSA (which is between ANCOA (as the buyer), Emu, HMPL, Straits, Straits Gold Pty Ltd (wholly owned subsidiary of Straits and the Seller of the shares in HMPL)) are now detailed.

The Seller agreed to sell and ANCOA agreed to purchase the entire issued capital (**Sale Shares**) of HMPL on the terms and bases detailed in the SSA.

Under the SSA, in consideration of ANCOA and Emu entering into the SSA with the Seller at Straits' request, Straits guarantees the performance and observance by the Seller of all the obligations and liabilities of the Seller under the SSA.

At completion (**Completion**) of the sale and purchase under the SSA, HMPL is to own the following assets (**Assets**) which comprise the Hillgrove Project, namely: (a) the Tenements; (b) mining information; (c) business records; (d) plant and equipment; (e) business intellectual property; (f) 31 freehold and 15 leasehold properties located in the County of Sandon; (g) all ore, minerals and metals situated on the Tenements or in transit owned by HMPL at Completion; (h) software licences and maintenance contracts; and (i) other assets of HMPL as inspected by ANCOA in April/May 2011 and by Emu on 6 December 2011.

The SSA is conditional on: (i) HMPL continuing to hold each of the Assets; (ii) the result of the Capital Raising being acceptable to ANCOA. ANCOA and Emu reserve the right to seek to extend that date by negotiation with the parties to the SSA; (iii) Completion being effected by 31 March 2012 - the 31 March date can be extended at Emu's election for one month by giving notice in that regard to Straits and paying the mine's care and maintenance costs for that month in the agreed amount of \$200,000. Completion will occur on a date nominated by Emu and is intended to be no later than the date of Re-quotation; (v) Re-quotation occurring or Straits being satisfied that it will occur in a time frame acceptable to it.

Emu and ANCOA accepts that HMPL will (in essence) hold the Assets at the time of Completion in the state and condition in which they were when Emu and ANCOA inspected various of them in April, May and December 2011. Each of Emu and ANCOA has agreed that it is satisfied as to the value of the Sale Shares and the economic and other aspects of the Hillgrove Project and each accepts the all risks associated with of recommencing production.

Emu paid the Seller a non-refundable deposit of \$50,000 (**Deposit**) on signing the SSA and, on Completion, will pay the Seller the Purchase Price of \$40M as to a minimum of \$10M (less the Deposit) in cash and as to the balance (\$30M) in cash, the issue of Connnotes or Shares (or a combination thereof) as determined by Emu.

The SSA requires Emu to offer to allocate Shares under the Capital Raising to applicants (**Straits Shareholders**) who, at the date of the Capital Raising prospectus, are registered as Straits' shareholders with an address in

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Australia (and any other jurisdiction approved by Emu) limited however to a maximum of 50M Shares (**Priority Entitlement Amount**).

Until Completion, the Seller must ensure that HMPL manages and conducts the Hillgrove Project materially in accordance with a care and maintenance budget agreed for that purpose. ANCOA and Straits will enter a transitional services agreement (in the form attached to the SSA) pursuant to which certain of the administrative functions of HMPL will be undertaken by Straits up until Completion and, if requested by HMPL, for a 3 month (extendable to 6 month) handover period following Completion.

Under the SSA, the Seller provides ANCOA with standard warranties in relation to the Sale Shares, the Tenements, the Assets and the financial position of HMPL. The rights of recourse of ANCOA under these warranties is substantially limited as the warranties are subject to a number of limitations and qualifications and a detailed procedure must be followed in order for ANCOA to make any claims against the Seller for breach of the warranties. The limitations and qualifications on the Seller's liability under the SSA include:

- the Seller having no liability for a breach of warranty:
 - unless the aggregate amount of the warranty claims exceeds \$50,000;
 - unless notice of the warranty claim is given in good faith in accordance with the SSA within 12 months after the date of this prospectus;
 - if such notice is given, then unless either the Seller admits the warranty claim, the warranty claim is settled between the Seller and ANCOA or ANCOA institutes and serves legal proceedings on the Seller in respect of the warranty claim within 24 months after the date of this prospectus;
 - if the warranty claim is as a result of or in respect of any legislation not in force at the date of execution of the SSA;
 - if the warranty claim is increased as a result of action taken or not taken by the Seller after consultation with and with the prior written approval of ANCOA; or
 - to the extent that the fact, matter or circumstance giving rise to the warranty claim was known to ANCOA before Completion; and
- ANCOA having no right to make a claim:
 - where the claim is based on a fact, matter or circumstance which was disclosed or recorded in the disclosure material provided by the Seller to ANCOA prior to execution of the SSA or was capable of being discovered by searching certain public records specified in the SSA;
 - to the extent that a claim is based on a forecast, estimate, projection or opinion as to the future given by the Seller or any person acting or purporting to act on its behalf;
 - to the extent that a claim is in respect of the water treatment or H₂S odour issues which have given rise to neighbouring landholder complaints; or
 - for any exemplary or punitive loss or any indirect or consequential loss.

The maximum aggregate liability of the Seller and Straits to ANCOA for any breach of the SSA, under the warranties or an indemnity in the SSA, at law, in equity or otherwise is limited to, and will in no event exceed, the amount of cash paid to discharge the Purchase Price.

If between the dates of the SSA and Completion a fact, matter or circumstance arises which gives or is likely to give rise to a claim for breach of warranty under the SSA, ANCOA can elect to either proceed to Completion or to terminate the SSA. If Emu elects to proceed to Completion then it will not be entitled to make a claim that arises from that fact, matter or circumstance.

Under the SSA:

- Emu and ANCOA indemnifies the Seller and each of its related bodies corporate and their respective agents and advisers from and against any liability under or in connection with this prospectus;
- Emu and ANCOA is to procure the release of each person who has given a bond (being tenement bonds aggregating ~\$4m) and indemnify the Seller and other such persons from any liability arising out of the bonds or guarantees provided by the Seller or such persons which relates to events occurring after Completion;

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- the Seller indemnifies Emu and ANCOA and HMPL against any claim in relation to tax in respect of HMPL to the extent it arises from income, profits or gains earned, received or arising on or before Completion or is attributable to any event occurring on or before Completion; and
- the Seller indemnifies Emu and ANCOA and HMPL against any claim against HMPL in respect of any GST which Emu and ANCOA or HMPL is liable to pay as a result of any supply under the SSA or as a result of HMPL having been a member of a GST group or joint venture at any time prior to Completion.

If the Seller, at any time, wishes to sell, transfer or assign any Connnotes (other than to a related entity), it must use its best endeavours to consult with Emu, including allowing Emu to introduce potential buyers of such Connnotes, and must give Emu the right to find a buyer within 10 business days to match any price indication received by the Seller for such Connnotes. If any Connnotes are dealt to a related party such related party must assume the obligation to be bound by the Seller's obligations as they would have existed but for the dealing to the related party.

During the period ending 12 months after the date of Re-quotation, Emu has a call option under which it may nominate a party to purchase any Connnotes held by Straits Mineral Investments Pty Ltd (Seller's nominee) at their face value PROVIDED THAT prior to Completion the Seller may elect to exclude up to \$10M (face value) of Connnotes from the Call Option.

The SSA may be terminated on various bases.

Pro forma Balance Sheet

Please refer to the SIS's Independent Expert's Report for Emu's pro forma balance sheet following completion of the ANCOA Acquisition and the Capital Raising.

Listing Rule 7

ASX Listing Rule 7.1 states that a company listed on ASX cannot, during any 12-month period, issue greater than 15% of its ordinary securities on issue without shareholder approval. If shareholders approve this resolution then the board may issue 27,500,000 Shares to the vendors of the issued capital of ANCOA (or their nominees) as consideration for the Acquisition.

(Number and Price)

For the purposes of ASX Listing Rule 7.3, the notional issue price (\$0.0512) of each such share was determined by multiplying the number being 80% of the agreed 3 month (pre-consolidation) VWAP (\$0.064) of Shares as traded on the ASX to the date such notional price was agreed between Emu and ANCOA (and being before the potential value of the Transaction was reflected in the price of Emu Shares) by the ratio (~2.18) in which pre-consolidation Shares were consolidated.

During the 3 months prior to 13 January 2012, Shares have traded on the ASX at a low of \$0.057 and a high of \$0.07 at a VWAP of \$0.0641.

The 27.5M post-consolidation Shares will be issued at an agreed notional price of —\$3,063,241 (or \$8,250,000 - being the value of that fee as determined by SIS applying IFRS - a differential of \$5,186,759).

In its Independent Expert's Report, SIS did not adopt the agreed notional issue price of the Shares but, rather adopted different (and higher) values for the Shares because, in his view (not shared by Emu), IFRS dictates he do so. In the opinion of the board the value of the Shares issued as consideration for ANCOA must reflect the pre-transaction value of such Shares otherwise the vendor would be denied the benefit of any uplift in value of Emu Shares consequent upon the Transaction being announced.

(Allottees)

The Shares will be issued to the parties in the proportions detailed in Appendix A – Emu Nickel Share capital structure.

(Use of Funds Raised)

No funds will be raised from the issue of the Shares. The Shares will be issued as consideration for the ANCOA Acquisition.

(Terms of securities to be issued)

The Shares will rank pari passu with existing Shares from the date they are issued; it is expected that none of them will be subject to ASX imposed Restrictions.

Listing Rule 10

Listing Rule 10 deals with transactions between a company and persons in a position to influence it. That rule applies to the Transaction because it involves the acquisition of a “substantial asset” from related parties (Thomas because he is a director and Steemson, Secker and McRostie because they are proposed directors) and a substantial holder (Steemson momentarily upon the issue of Shares and prior to completion of the Capital Raising). Listing Rule 10 requires a report in the Transaction from an independent expert on whether the Transaction is fair and reasonable to those of Emu’s shareholders (**disinterested shareholders**) who do not have a vested interest in the Transaction.

Emu appointed Stanton International Securities (**SIS**) to provide such a report. SIS in turn engaged Coffey Mining Pty Ltd (**Coffey**) to provide a valuation of the mine. SIS’s report is appended. Shareholders are urged to consider the reports of the Independent Experts in detail and if in doubt seek advice from their professional advisers prior to voting.

ASX Listing Rule 10.11 also requires shareholders to approve the issue of Shares to Messrs Steemson, Thomas, Secker and McRostie in consideration for the acquisition by Emu of shares in ANCOA in which they have a relevant interest. The approval must be obtained in circumstances where the information required by ASX Listing Rule 10.13 has been provided to shareholders; this Explanatory Statement provides that information. If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1 (but the information is essentially the same and this Explanatory Statement addresses both rules).

(Number and Price)

For the purposes of ASX Listing Rule 10.11 and 10.13, the notional issue price (\$0.0512) of each such share was determined by multiplying the number being 80% of the agreed 3 month (pre-consolidation) VWAP (\$0.064) of Shares as traded on the ASX to the date such notional price was agreed between Emu and ANCOA (and being before the potential value of the Transaction was reflected in the price of Emu Shares) by the ratio (~2.18) in which pre-consolidation Shares were consolidated.

During the 3 months prior to 13 January 2012, Shares have traded on the ASX at a low of \$0.057 and a high of \$0.07 at a VWAP of \$0.0641.

The 27.5M post-consolidation Shares will be issued at an agreed notional price of \$3,063,241 (or \$8,250,000 - being the value of that fee as determined by SIS applying IFRS - a differential of \$5,186,759).

In its Independent Expert’s Report SIS did not adopt the agreed notional issue price of the Shares but, rather, adopted different (and higher) values for the Shares because, in his view (not shared by Emu), IFRS dictates he do so. In the opinion of the board the value of the Shares issued as consideration for ANCOA must reflect the pre-transaction value of such Shares otherwise the vendor would be denied the benefit of any uplift in value of Emu Shares consequent upon the Transaction being announced.

(Allottees)

The Shares will be issued to the parties in the proportions detailed in Appendix A – Emu Nickel Share capital structure.

(Use of Funds Raised)

No funds will be raised from the issue of the Shares. The Shares will be issued as consideration for the ANCOA Acquisition.

(Terms of securities to be issued)

The Shares will rank pari passu with existing Shares from the date they are issued; it is expected that none of them will be subject to ASX imposed Restrictions.

Corporations Act (Chapter 2E)

Chapter 2E of the Corporations Act 2001 (**Act**) prohibits, subject to certain exceptions, a company from giving a financial benefit to a related party of the company without prior shareholder approval in circumstances where certain information has first been provided to them.

Section 195 of the Act provides, in essence, that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a “material personal interest” are being considered. As Thomas has a material personal interest in the outcome of Resolution No. 3, he did not participate in the determination by the board to put the Transaction to shareholders for consideration and resolution.

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The Act prohibits a public company which is listed on ASX from giving a financial benefit to a related party of the public company unless the benefit falls within one of various exceptions to that general prohibition. Exceptions include where:

- the company first obtains the approval of shareholders in general meeting where the pre-conditions set out in the Act have been complied with in relation to the resolution; or
- the terms and conditions upon which the financial benefit is being given are not more favourable to the related party than those on which it is reasonable to expect that the company would give the benefit if dealing with the related party at arm's length in the same circumstances; or
- the financial benefit is paid or provided as remuneration to a person in a capacity as a director of the company and it is reasonable for a company in the company's circumstances to pay or provide that remuneration to a director in the person's circumstances.

The board considers that the second (and to the extent relevant the third) exception applies to the provision of financial benefits proposed by the Transaction but nevertheless regard it as appropriate to provide the information mandated by section 219 of the Act.

A "related party" for the purposes of the Act is defined widely and, in the circumstances includes Messrs Steemson, Thomas, Secker and McRostie.

A "financial benefit" for the purposes of the Act has a very wide meaning and clearly encapsulates the benefits accruing to each of Messrs Steemson and Thomas under the Transaction.

Other Information

It is not expected that the ASX will (but it may) require Emu to enter restriction agreements with the existing shareholders of ANCOA in the format required by Appendix 9A of the Listing Rules. A restriction agreement restricts the transfer of ownership or dealing in the affected securities for the period nominated by the ASX.

Any conditions to Re-quotation are at the discretion of ASX. Emu will announce via the ASX final details of its restricted securities (if any – none expected) prior to Re-Quotation.

Messrs Sakalidis and Thomson consider that the terms on which it is proposed to provide benefits to Messrs Steemson, Thomas, Secker and McRostie under this resolution do not need to be approved for the purposes of Chapter 2E.

A summary of Shares held by related parties is detailed in the following table with full details being shown in Appendix A:

	Pre-Consolidation and Approval	Post-Consolidation and Approval		
	Number of Shares	Number of Shares	Value per Share as determined by SIS*	Financial Benefit as valued by SIS*
PS Thomas – Existing Shares in Emu	406,246	186,727	N/A	N/A

PS Thomas – New Shares in Emu		5,275,665	\$0.30	\$1,582,700
GH Steemson – New Shares in Emu		6,558,936	\$0.30	\$1,967,681
PA Secker – New Shares in Emu		285,171	\$0.30	\$85,551
G McRostie – New Shares in Emu		1,996,198	\$0.30	\$598,859

* Refer to an explanation at the section headed "Why do your directors think the Capital Raising risk is acceptable" at page 8 of various valuations used to determine the value of the transaction and the terms of the agreement entered into with ANCOA by the Emu directors. These reflect accounting standard numbers and do reflect market values.

Mr Thomas also holds Options in Emu as detailed in Appendix A which will be restructured as a consequence of the consolidation but remain unchanged in every other respect.

Resolution No. 4 – Acquisition of ANCOA NL – Change in Nature of Business

(Listing Rule 11)

ASX Listing Rule 11 requires a company to obtain the approval of shareholders if it proposes to make a significant change to the nature or scale of its activities. As from the time that Resolutions 2 to 9 (both inclusive) are approved, Emu will be suspended from trading on the ASX until it has re-complied with ASX Listing Rules Chapters 1 and 2. Completion of the Transaction is conditional upon Emu being satisfied that its securities will be readmitted to quotation if the Transaction is completed.

Emu presently has ~\$5 million cash at bank, a monthly burn rate of ~\$100,000 per month and a number of mineral tenement holdings in Western Australia. Emu intends to minimise expenditure and management time expended on those mineral tenements and to maximise the value of those assets via disposal or joint venture. No binding decision as to the fate of those assets will be made until after completion of the Capital Raising.

Emu was introduced to the opportunity to acquire the mine (via ANCOA) as detailed above. As your chairman who has a material personal interest in ANCOA, your independent directors, Messrs Sakalidis and Thomson, reviewed the opportunity and determined, in their view, that the Transaction represents, subject to the risk of raising capital and the other risks identified in this Explanatory Statement, an entry into a good mining opportunity at a price well below replacement value. In the result they determined to pursue the opportunity and hence to submit to shareholders for approval that Emu significantly change the nature and scale of its current operations.

The ANCOA Acquisition would potentially see Emu become a producer of high quality antimony/gold concentrate and gold.

Resolution No. 5 – Appointment of Director

Mr Gregory Hugh Steemson will be appointed to the board and Mr Thomson will resign effective from the time Resolutions 2 to 9 (both inclusive) are passed.

Mr Steemson is a graduate of the University of Queensland and the University of Utah and is a qualified geologist and geophysicist. He has 40 years of experience over a wide range of geographies and commodities including gold, base metals, iron ore, diamonds, coal, mineral sands, phosphate, uranium and rare earth elements. He has operated in many different jurisdictions throughout the world and at most levels of the mineral industry from green-fields exploration to resource and project development through to mining. Mr Steemson was a founding director of Sandfire Resources Limited and Allied Gold Limited. Mr Steemson was previously a director of Allied Gold Limited, Carbine Resources Limited, Mineral Commodities Limited and Nord Pacific Limited.

Resolution No. 6 – Approval to issue shares for the Capital Raising under the Prospectus

ASX Listing Rule 7.1 provides that the prior approval of the shareholders of the Company is required to an issue of equity securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

The issue and allotment of Shares as outlined in this resolution will exceed the 15% limit and therefore requires such approval.

In compliance with the information requirements of ASX Listing Rule 7.3, members are advised of the following particulars in relation to the proposed issue.

(Number and Price)

Emu seeks to raise a proposed minimum of \$60M and up to a fixed maximum of \$70M by the issue of a maximum of 233,333,333 Shares at an issue price of \$0.30 per share. The minimum number will be 200M Shares.

(Allottees)

The Shares are proposed to be issued to applicants making valid applications under a prospectus and will be issued at the discretion of the directors. Accordingly, the identity of the entities which will be the allottees under

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the prospectus is unknown, however, no securities will be issued under authority of this Resolution to any related party.

(Use of Funds Raised)

See the section headed See the section headed Purpose of the Capital Raising on page 18.

(Terms of securities to be issued)

The securities offered by the prospectus will be ordinary fully paid shares with the subscription price being \$0.30 each.

The Shares will rank equally in all respects with the existing fully paid ordinary shares on issue.

(Directors' Recommendations and Interests)

Other than the information disclosed in this Explanatory Statement, no director has an interest in the outcome of the proposed resolution (other than as directors of, and holders of securities in, Emu) and neither the directors nor Emu are aware of any other information that is reasonably required by non-associated shareholders in order to decide whether or not it is in Emu's interests to pass the proposed resolution.

Resolution No. 7 – Approval for issue of partly-paid shares (Contingent Entitlement Shares)

ASX Listing Rule 7.1 provides that the prior approval of the shareholders of the Company is required to an issue of contributing shares if they will, when aggregated with Shares issued by the Company during the previous 12 months, exceed 15% of the number of Shares on issue at the commencement of that 12 month period.

The issue and allotment of the contributing shares proposed by this resolution will exceed the 15% limit and therefore requires such approval.

In compliance with the information requirements of ASX Listing Rule 7.3, members are advised of the following additional particulars in relation to the proposed issue.

(Allottees & condition to issue)

Contingent upon the Capital Raising closing after the raising of a proposed minimum of \$60M, 75M Contingent Entitlement Shares will be issued to a Contingent Entitlement Trustee (a corporation to be nominated for the purpose by Emu) which will be an unrelated party.

(Use of Funds Raised)

No funds will be raised by the issue but if all these shares are paid up in due course that will raise \$33,750,000.

(Terms of securities to be issued)

The Contingent Entitlement Shares will be issued for a nominal consideration (\$0.0000001 per share) although an amount of \$0.45 in respect of each of those shares will be "due" when called. No call will be made within 4 years. There will be no obligation to pay the call but failure to do so will result in the Contingent Entitlement Shares being forfeited.

Each Contingent Entitlement Share will participate in dividends as if it was a fully paid share but will only have voting rights in proportion to the amount paid up thereon.

Each shareholder with at least 7,000 Shares as at a date or dates to be nominated by the Board (being around the date of either or between the dates of the prospectus and the date of the closing of the Capital Raising offer) will be an eligible shareholder (**Eligible Shareholder**).

Each subscriber for shares under the Capital Raising will also be an Eligible Shareholder.

An Eligible Shareholder is entitled to qualify to participate (for no consideration) in the pool of Contingent Entitlement Shares.

The Trustee is to hold the Contingent Entitlement Shares until the date (**Qualifying Date**) being the later of the first anniversary of Re-quotation (or, if ASX imposes Restrictions in respect of securities issued to the vendors of ANCOA shares) the date those Restrictions cease to apply plus 21 days. ASX is not expected to impose any Restrictions.

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An Eligible Shareholder will only qualify to participate (and thereby become a **Qualifying Shareholder**) by holding Shares on the first Business Day (as defined in the ASX Listing Rules) following the Qualifying Date.

The Trustee shall distribute the Contingent Entitlement Shares to Qualifying Shareholders on a pro rata basis in accordance with the following formula:

$$A \text{ divided by } B \text{ times } C = X$$

Where:

- A is the number of Shares held by a Qualifying Shareholder as at the Qualifying Date;
- B is the total number of Shares held by all of the Qualifying Shareholders as at the Qualifying Date;
- C is the total number of Contingent Entitlement Shares; and
- X is the number of Contingent Entitlement Shares to which the Qualifying Shareholder is entitled to receive on the Qualifying Date.

By way of illustration only, assuming (i) \$60M is raised under the Capital Raising prospectus at \$0.30 per share; (ii) no options are exercised; (iii) Emu does not issue any securities other than to acquire ANCOA; (iv) every shareholder is an Eligible Shareholder and becomes a Qualifying Shareholder, then the participation ratio will be 1 Contingent Entitlement Share for every 3.4 Shares held at the Qualifying Date.

Subject to the foregoing assumptions save not all Eligible Shareholders become Qualifying Shareholders, the ratio changes. Say at the Qualifying Date only 100M shares are held by Qualifying Shareholders, then the ratio will be 1 Contingent Entitlement Share for every 1.33 Shares held by the Qualifying Shareholder.

(Other Information)

It is not expected that the ASX will (but it may) require Emu to enter restriction agreements with the Allottee/s of the Contingent Entitlement Shares in the format required by Appendix 9A of the Listing Rules. A restriction agreement restricts the transfer of ownership or dealing in the affected securities for the period nominated by the ASX.

Any conditions to Re-quotation are at the discretion of ASX. Emu will announce via the ASX final details of its restricted securities (if any – none expected) prior to Re-Quotation.

(Directors' Recommendations and Interests)

Other than the information disclosed in this Explanatory Statement, no director has an interest in the outcome of the proposed resolution (other than as directors of, and holders of securities in, Emu) and neither the directors nor Emu are aware of any other information that is reasonably required by non-associated shareholders in order to decide whether or not it is in Emu's interests to pass the proposed resolution.

Resolution No. 8 – Approval for issue of up to 70,588,235 Convertible Notes

The Purchase Price must be paid in cash to at least the extent of \$10M. The Board has discretion to pay more (but not less) than \$10M in cash on account of the Purchase Price and to satisfy all or part of the Purchase Price in excess of \$10M by the issue of Connotes or Shares. Paying more in cash will result in correspondingly fewer Connotes/Shares having to be issued.

The board intends to pay only \$10M of the Purchase Price in cash and to satisfy the balance by the issue of Connotes even if the maximum subscription is raised. Satisfying more of the Purchase Price by the issue of Connotes has the direct or indirect effect of minimising potential dilution, even if the Connotes are converted because their conversion price is \$0.425 per share is higher than either the issue price for the Capital Raising or any Shares issued in part satisfaction of the Purchase Price.

ASX Listing Rule 7.1 provides that the prior approval of the shareholders of the Company is required to an issue of equity securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

The Connotes outlined in this resolution constitute quasi debt/equity and if, as is intended, \$30M worth are issued, and if all of them were to be converted into securities on the date of their issue then the resultant number

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Information specific to each Resolution



would exceed the 15% limit and therefore the issue of such notes requires approval as contemplated by Listing Rule 7.

In compliance with the information requirements of ASX Listing Rule 7.3, members are advised of the following particulars in relation to the proposed issue.

(Allottees)

The allottee of all Connotes issued (if any – it is intended to issue \$30M worth of Connotes) will be the nominee of Straits, namely, Straits Mineral Investments Pty Ltd (ACN 124 028 271) which is and will be an unrelated party.

(Use of Funds Raised)

Any Connotes issued will be issued in partial satisfaction of the Purchase Price and, thus, no funds, as such, will be raised by the issue.

(Terms of securities to be issued)

Assuming the Shares the subject of Resolution No. 6 are issued at \$0.30 each, Emu intends to raise \$30M by the issue of 70,588,235 Connotes with their principal terms being: (i) 5 years; (ii) interest free for 12 months and thereafter the coupon rate is 12.5% pa payable quarterly in arrears; (iii) convertible (at the rate of \$0.425) at the election of the holder into Shares on a 1:1 basis (that ratio is subject to adjustment in accordance with the ASX listing rules as if the Connotes were options); (iv) no right of redemption save on maturity or in the case of certain “events of default”; (v) any not converted or redeemed at the end of the 5 years to be redeemed; and (v) the obligations of Emu in respect of the Connotes is to be secured by a share pledge over the capital of HMPL.

Any Shares issued on conversion of the Connotes will rank equally in all respects with the existing fully paid ordinary Shares on issue at that time.

(Other Information)

It is not expected that the ASX will (but it may) require Emu to enter restriction agreements with the Allottees of the Connotes in the format required by Appendix 9A of the Listing Rules. A restriction agreement restricts the transfer of ownership or dealing in the affected securities for the period nominated by the ASX.

Any conditions to Re-quotation are at the discretion of ASX. Emu will announce via the ASX final details of its restricted securities (if any – none expected) prior to Re-Quotation.

(Directors’ Recommendations and Interests)

Other than the information disclosed in this Explanatory Statement, no director has an interest in the outcome of the proposed resolution (other than as directors of, and holders of securities in, Emu) and neither the directors nor Emu are aware of any other information that is reasonably required by non-associated shareholders in order to decide whether or not it is in Emu’s interests to pass the proposed resolution.

Resolution No. 9 – Approval for issue of up to 100,000,000 Ordinary Fully Paid Shares

The Board has discretion to pay more than \$10M in cash on account of the Purchase Price and correspondingly issue fewer Connotes/Shares. Even if the maximum subscription is raised, the Board intends, in exercise of that discretion, to limit the cash payment to \$10M and issue Connotes for the balance of the Purchase Price.

Even though the board does not intend to issue any Shares in part satisfaction of the Purchase Price, this approval is sought for the purpose of giving the board maximum flexibility when it comes to completing the Acquisition in order to advance the interests of Emu the best way it can in the context of circumstances as they unfold. If the board elects to issue Shares in partial satisfaction of the Purchase Price then correspondingly fewer Connotes will be issued or less cash paid.

ASX Listing Rule 7.1 provides that the prior approval of the shareholders of the Company is required to an issue of equity securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

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If, which is not intended but permitted by the SSA, \$30M worth of Shares are issued in part satisfaction of the Purchase Price under the SSA, then the 15% limit would thereby be breached and therefore approval as contemplated by Listing Rule 7 is sought to permit the possible issue of such Shares.

In compliance with the information requirements of ASX Listing Rule 7.3, members are advised of the following particulars in relation to the possible (but presently unintended) issue.

(Allottees)

The allottee of any and all Shares issued under this resolution will be the nominee of Straits, namely, Straits Mineral Investments Pty Ltd (ACN 124 028 271) which is and will be an unrelated party.

(Use of Funds Raised)

Any Shares issued under authority of this resolution will be issued in partial satisfaction of the Purchase Price and, thus, no funds, as such, will be raised by the issue although the notional issue price will be the same as that used for the Capital Raising.

(Terms of securities to be issued)

Any Shares issued under authority of this resolution will be at the same price as Shares issued for the Capital Raising.

If the board elects (which is not its intent) to partially satisfy the Purchase Price by the issue of Shares then up to 100M fully paid ordinary Shares could be issued under authority of this resolution.

Any Shares so issued will rank equally in all respects with the existing fully paid ordinary shares on issue.

(Other Information)

The board does not anticipate ASX imposing, as a condition to Re-quotation, that any Shares issued under authority of this resolution will be subjected to a restriction agreement.

This and any other potential condition to Re-quotation will ultimately be at the discretion of ASX. Emu will announce via the ASX final details of its restricted securities prior to Re-quotation.

(Directors' Recommendations and Interests)

Other than the information disclosed in this Explanatory Statement, no director has an interest in the outcome of the proposed resolution (other than as directors of, and holders of securities in, Emu) and neither the directors nor Emu are aware of any other information that is reasonably required by non-associated shareholders in order to decide whether or not it is in Emu's interests to pass the proposed resolution.



APPENDIX A - EMU NICKEL SHARE CAPITAL STRUCTURE

CHANGES TO EMU NICKEL NL SHARE CAPITAL STRUCTURE

Based on the Emu ordinary fully paid shares (OFPS) capital of 59,828,940 having been consolidated and a public offer fund raising of \$60m by the issue of 200,000,000 OFPS at \$0.30 each

	No of Shares	% Emu Capital Held by Existing EMU Shareholders	% Emu Capital Held by ANCOA Shareholders	Imputed Market Value at Each Step (See Notes 1 and 2)	Imputed Value per Share at each Step
Issued EMU Capital on Consolidation	27,500,000	100.00%		\$ 3,835,035	\$ 0.1395
Issue of Shares to ANCOA shareholders (upon \$60M being subscribed)	27,500,000				
SubTotal Issued Shares (STEP 2)	55,000,000	50.00%	50.00%		
Issue of Shares pursuant to Public Offer @ \$0.30 /OFPS	200,000,000				
Total Emu Shares on Issue after Public Offer (STEP 3) - Base Case	255,000,000	10.78%	10.78%	\$ 76,500,000	\$ 0.3000
Total Emu Shares on Issue after Public Offer (STEP 3) - Enterprise Value	255,000,000	10.78%	10.78%	\$ 125,800,000	\$ 0.4933
Uplift Factor to Imputed Value per share for Existing Emu Shareholders - Base Case scenario					2.15
Uplift Factor to Imputed Value per share for Existing Emu Shareholders - Enterprise Value scenario					3.54

Notes:

1. Imputed Market Value at Step 1 is based on Emu's pre-consolidated 3 month VWAP to 13 January 2012 of \$0.0641
2. Imputed Market Value at Step 3 (Base Case) is based on the issue price paid on the Public Offer fund raising
3. Imputed Market Value at Step 3 (Enterprise Value) is based on the preferred value as determined by the Coffey report (\$81M) plus free cash on hand after the Public Offering being completed

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Appendix A – Emu Nickel Share capital structure



EMU NICKEL NL SHARE CAPITAL STRUCTURE

Based on completion of public offer raising of \$60m by issue of 200,000,000 fully paid ordinary shares at \$0.30 each

by issue of 200,000,000 fully paid ordinary shares at \$0.30 each		Pre-Consolidation		Post-Consolidation				
		Existing EMU Shares	Existing EMU Shares after Consolidation	ANCOA Shares after Consolidation	Public Offering	TOTAL SHARES	% Shares Held Post Issue and Pre-Public Offer	% Shares Held Post-Public Offer
EXISTING SHARES HELD BY EXISTING EMU SHAREHOLDERS:								
G Sakalidis - Continuing Director	4,563,497	2,097,583			2,097,583	3.81%	0.82%	
PS Thomas - Continuing Director	406,242	186,727			186,727	0.34%	0.07%	
Others	54,859,201	25,215,690			25,215,690	45.85%	9.89%	
TOTAL EXISTING SHARES HELD BY EXISTING EMU SHAREHOLDERS		59,828,940	27,500,000		27,500,000	50.00%	10.78%	
SHARES TO BE ISSUED TO ANCOA SHAREHOLDERS:								
GH Steemson		6,558,936			6,558,936	11.93%	2.57%	
PS Thomas		5,275,665			5,275,665	9.59%	2.07%	
G McRostie		1,996,198			1,996,198	3.63%	0.78%	
PA Secker		285,171			285,171	0.52%	0.11%	
IR Baron		4,500,000			4,500,000	8.18%	1.76%	
WF & J King		1,711,027			1,711,027	3.11%	0.67%	
BL & J McRostie		1,711,027			1,711,027	3.11%	0.67%	
GAR & ML Rutherford		1,711,027			1,711,027	3.11%	0.67%	
R Tieleman		500,000			500,000	0.91%	0.20%	
K Leo		855,513			855,513	1.56%	0.34%	
R Roberts		855,513			855,513	1.56%	0.34%	
AG & ES Melville		855,513			855,513	1.56%	0.34%	
S Tate		114,068			114,068	0.21%	0.04%	
HE Passmore		114,068			114,068	0.21%	0.04%	
R Saunders		114,068			114,068	0.21%	0.04%	
DP & LS Whitehead		114,068			114,068	0.21%	0.04%	
IR & PR Thompson		114,068			114,068	0.21%	0.04%	
D Bahen		114,068			114,068	0.21%	0.04%	
		27,500,000			27,500,000	50.00%	10.78%	
SHARES ISSUED TO PUBLIC OFFERING APPLICANTS:					200,000,000	200,000,000		78.43%
COLUMN TOTALS	59,828,940	27,500,000	27,500,000	200,000,000	255,000,000	100.00%	100.00%	

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Appendix A – Emu Nickel Share capital structure



EMU NICKEL NL SHARE CAPITAL STRUCTURE (Continued)

	Pre-Consolidation	Post-Consolidation				
	Existing EMU Shares	EMU Shares after Consolidation	ANCOA Shares after Consolidation	TOTAL	% Shares Held Post Issue and Pre-Public Offer	% Shares Held Post-Public Offer
SCHEDULE OF SHARES (in aggregate) HELD BY CONTINUING AND PROPOSED DIRECTORS:						
Continuing Directors:						
PS Thomas	406,242	186,727	5,275,665	5,462,392	9.93%	2.14%
G Sakalidis	4,563,497	2,097,583		2,097,583	3.81%	0.82%
Proposed Directors:						
GH Steemson			6,558,936	6,558,936	11.93%	2.57%
G McRostie			1,996,198	1,996,198	3.63%	0.78%
PA Secker			285,171	285,171	0.52%	0.11%
COLUMN TOTALS	4,969,739	2,284,310	14,115,970	16,400,280	29.82%	6.43%

SCHEDULE OF OPTIONS HELD BY CONTINUING AND PROPOSED DIRECTORS:

	Existing EMU Options	EMU Options after Consolidation
EMU - Options to acquire fully paid ordinary shares at \$0.50 each by 27.2.2013		
Restructured Post-Consolidation to be exercisable at \$1.0878		
Continuing Directors:		
G Sakalidis	2,000,000	919,288
EMU - Options to acquire fully paid ordinary shares at \$0.27 each by 22.12.2014		
Restructured Post-Consolidation to be exercisable at \$0.5874		
Continuing Directors:		
PS Thomas	400,000	183,858
G Sakalidis	550,000	252,804
Proposed Directors:	Nil	Nil
COLUMN TOTALS	2,950,000	1,355,949

SCHEDULE OF OPTIONS (in aggregate) to acquire fully paid ordinary shares

	Existing EMU Options	EMU Options after Consolidation
EMU - Options to acquire fully paid ordinary shares at \$0.50 each by 27.2.2013	10,000,000	
Restructured Post-Consolidation to be exercisable at \$1.0878		4,596,438
EMU - Options to acquire fully paid ordinary shares at \$0.27 each by 22.12.2014	1,830,000	
Restructured Post-Consolidation to be exercisable at \$0.5874		841,148
EMU - Options to acquire fully paid ordinary shares at \$0.1961 each by 21.12.2015	180,000	
Restructured Post-Consolidation to be exercisable at \$0.4266		82,736
COLUMN TOTALS	12,010,000	5,520,322

APPENDIX B – TERMS AND CONDITIONS – CONTINGENT ENTITLEMENTS SHARES

The Contingent Entitlement Shares (which are contributing (or partly paid shares)) will rank equally with all Shares (being ordinary fully paid shares) on issue subject to the following:

(Amounts paid & unpaid)

Each Contingent Entitlement Share:

- is issued for a nominal consideration (\$0.0000001 per share) ; and
- has an unpaid amount of a further \$0.45.

(Rights)

Irrespective of whether Emu has made a call (**Call**) for the payment of all or any of the unpaid amount, each Contingent Entitlement Share:

- carries the right to participate in new issues (except bonus issues) of securities to holders of ordinary fully paid shares (**Shares**) on the same basis as holders of Shares;
- carries the right to participate in bonus issues of securities in the proportion which the amount paid (not credited) bears to the total of the amounts paid and payable and each holder (**Holder**) of a Contingent Entitlement Share will be notified by Emu of any proposed bonus issue of securities at least 14 days prior to the record date for any such issue;
- entitles the Holder to (i) exercise voting rights on a pro-rata basis in the proportion which the amount (or, if applicable, aggregate of amounts) paid bears to the total of the amounts paid and payable; and (ii) fully participate in dividends as if the contributing shares were fully paid;
- is freely transferable;
- upon being paid up in full shall rank equally in all respects with all Shares then on issue and Emu shall promptly apply for them to be listed on the ASX (and each or any other exchange on which shares of Emu are traded).

(No liability)

Holders have no obligation to meet a call made by Emu, however, non-payment of a properly made call will result in the forfeiture of the relevant Contingent Entitlement Share.

(Earliest Call)

Emu shall not make a Call unless the day on which the call is made falls after the 4th anniversary of the Re-quotations Date.

(Payment before a Call)

A Holder may pay up the whole of the amount remaining unpaid at any time PROVIDED THAT they may only do so in parcels:

- of not less than 50,000; or
- of less than 50,000 if the parcel has been held by the holder since [the date being the later of the first anniversary of Re-quotations or, if ASX imposes Restrictions, the period of Restriction + 21 days], it represents the holder's entire holding of Contingent Entitlement Shares and the holder has not previously paid up any Contingent Entitlement Shares;

otherwise no amount unpaid may be paid in advance of a Call without the leave of the board (which leave may be granted with or without reason and either with or without conditions) - the board shall have no obligation to consider any application for leave. Emu shall not be obliged to process payments without a Call more than once every three months.

Subject to the foregoing, if a Holder tenders all or part of the amount remaining unpaid on a Contingent Entitlement Share other than in satisfaction of a Call:

- the rights attaching to the Contingent Entitlement Share will not change (including the amounts paid and unpaid); and

- the amount tendered will, at the election of Emu, either be returned or retained as a non interest bearing loan repayable only upon and to the extent of a Call being made then the repayment shall be made by Emu to itself in satisfaction of the Call to that extent.

(Capital re-organisation)

If there is a re-organisation of the issued capital of Emu (including, but not limited to, a consolidation, subdivision, cancellation, reduction or return of capital):

- the number of Contingent Entitlement Shares must be reorganised in the same proportion as all other classes of shares on issue; and
- the re-organisation must not involve a cancellation or reduction of the total amount payable and unpaid by holders of Contingent Entitlement Shares.

(Listing of Contingent Entitlement Shares)

Emu may apply to list the Contingent Entitlement Shares at its election and shall do so upon request in that regard being made by a Holder(s) of 5% or more of the outstanding Contingent Entitlement Shares PROVIDED THAT the conditions to listing the same (save for the application that they be listed) have been met.

(Interpretation)

The Contingent Entitlement Shares are subject to the terms of the Constitution but if there is any inconsistency between the Constitution and these terms of issue, then to the maximum extent permitted by law, these terms of issue will prevail.

(Compliance with Listing Rules)

For so long as Emu is admitted to the official list of ASX, the following paramount provisions will apply:

- notwithstanding anything contained in these terms of issue, if the ASX listing rules (in the form and context in which they exist as at the date of Re-Quotation) (**Existing Rules**) prohibit an act from being done, the act shall not be done;
- nothing contained in these terms of issue prevent an act being done that the Existing Rules require to be done;
- if the Existing Rules require an act to be done or not be done, authority is given for that act to be done or not done as the case may be;
- if the Existing Rules require these terms of issue to contain a provision and it does not contain such a provision, these terms of issue are deemed to contain such a provision;
- if the Existing Rules require these terms of issue not to contain a provision and it contains such a provision, these terms of issue are deemed not to contain that provision; and
- if any provision of these terms of issue is inconsistent with the Existing Rules, these terms of issue are deemed not to contain that provision to the extent of the inconsistency.



APPENDIX C – TERMS AND CONDITIONS – CONVERTIBLE NOTES

Refer To Separate Attachment

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Appendix D - Independent Experts Report

APPENDIX D – INDEPENDENT EXPERT’S REPORT

Refer To Separately Attached Report

Annexure D - Terms and Conditions of Convertible Notes issued by ANCOA NL (formerly Emu Nickel NL)

Deed Poll by ANCOA NL

Terms and Conditions of Convertible Notes issued by ANCOA NL

This Deed Poll is entered into by ANCOA NL (ABN 50 127 291 927) (the **Issuer**) for the benefit, amongst others, of the holders from time to time of the Notes.

1. Definitions and Interpretation

1.1 Definitions

The following definitions apply to these Terms and Conditions unless the context requires otherwise.

Accrued Interest means interest accrued in accordance with Condition 4.1 but not yet paid to the Noteholder in accordance with Condition 4.2 including, for the avoidance of doubt, any interest accrued in accordance with Condition 4.2(b).

Adjustment Rules means the rules for adjustment under the Conversion Formula set out in **Exhibit A**.

ASX means the Australian Securities Exchange.

Authorised Officer means, in respect of the Issuer, any director or secretary or any person from time to time nominated as an Authorised Officer by the Issuer by a notice to Noteholders accompanied by certified copies of signatures of all new persons so appointed together with their contact details (including telephone number, facsimile number and email address).

Business Day means any day on which banks are open for normal banking business in Perth, Western Australia excluding Saturdays, Sundays and public holidays in Perth, Western Australia.

Charge means the equitable (unregistered) share pledge in the form attached as **Exhibit D**.

Conversion Date means, in respect of Notes which are the subject of a Conversion Notice, the date on which they are converted (being a date permitted by Condition 5.2).

Conversion Formula means one (1) Share for each Note, or such other number of Shares per Note as is calculated in accordance with the Adjustment Rules.

Conversion Notice means a notice given in accordance with Condition 5.1(a) and substantially in the form set out in **Exhibit B**.

Conversion Shares means Shares to be issued to a Noteholder upon conversion of Notes in accordance with Condition 5.

Corporations Act means the *Corporations Act 2001* (Cth).

Default Notice means a notice given in accordance with Condition 8.1.

Event of Default means any of the events of default mentioned in Condition 7.

Face Value means the face value of each Convertible Note being equal to the Exercise Amount [[at an issue price to the public of \$0.30 being] of \$0.425 per Note].

Interest Payment Dates means the dates falling on the last day of January, April, July and October in each year rests after (and not including) the first anniversary of the Listing Date, up to and including the earlier of the Conversion Date and the Redemption Date.

Issue Date means the date on which the Notes are issued.

Issuer means ANCOA NL (ABN 50 127 291 927).

Issuer Group means the Issuer, its subsidiaries and its controlled entities.

Listing Date means the date the Shares are first quoted for trade on the open platform of the ASX.

Listing Rules means the ASX Listing Rules.

Maturity Date means the fifth (5th) anniversary of the Listing Date.

Notes means the notes issued under these Terms and Conditions.

Noteholder means the person whose name appears in the Register as being entitled to such Notes.

Note Certificate means a certificate in the form attached as **Exhibit C**, issued by the Issuer and representing the number of Notes specified on that certificate.

Prescribed Interest Rate means 12.5% per annum.

Redemption Date means the date upon which the Issuer redeems the Notes by repayment of the Face Value and Accrued Interest (if any) in accordance with these Terms and Conditions.

Register has the meaning given in Condition 2(b).

Share means a fully paid ordinary share in the capital of the Issuer.

Shareholder means a holder of Shares in the Issuer.

Trading Day means a day on which the ASX is open for trading, provided that if no closing price is reported in respect of the relevant Shares on the ASX for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of trading days.

VWAP means the arithmetic average of the daily volume weighted average sale price of Shares sold on the ASX during the Trading Day (subject to excluding certain special trades, crossings, overseas trades and trades pursuant to exercise of options, and appropriate adjustments being made in respect of reconstructions, consolidations, divisions or reclassifications of Shares into a lesser or greater number of securities, other than a buyback or capital reduction, during the relevant period, and in respect of certain other market circumstances to adjust for market anomalies, such as suspensions of trading).

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural and the converse.
- (b) A gender includes all genders.
- (c) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a condition or annexure is a reference to a condition of, or annexure to, these Terms and Conditions.

- (f) A reference to a rule is a reference to the Adjustment Rules annexed to these Terms and Conditions as Exhibit A.
- (g) A reference to a party to an agreement or document includes the party's successors and permitted assigns or transferees.
- (h) A reference to an agreement or document is to the agreement or document as amended, novated, supplemented or replaced from time to time (whether or not the parties thereto remain the same), except to the extent prohibited by that agreement or document.
- (i) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (j) A reference to writing includes a facsimile transmission and any means of reproducing words in a tangible and permanently visible form.
- (k) Where the day on or by which any act, matter or thing is to be done is not a Business Day such act, matter or thing must be done on the next Business Day.
- (l) A reference to **Australian dollars** or **A\$** or **\$** is a reference to the currency of the Commonwealth of Australia.
- (m) A reference to time is to the time in Perth, Western Australia.

2. Form, Denomination and Title

- (a) The aggregate principal amount of the Notes is A\$[INSERT – that proportion of the Purchase Price as is nominated by the Buyer to be satisfied by the issue of Convertible Notes – say if \$30,000,000] divided into [that number Convertible Notes as equals \$30,000,000/the Exercise Amount] Notes with a face value of [\$] being the Exercise Amount] per Note.
- (b) Title to the Notes shall be evidenced by, and transfer of the Notes may only be affected through, registration in a register (**Register**) maintained by the Issuer.
- (c) The Issuer will issue to each Noteholder a Note Certificate representing the number of Notes held by the Holder.
- (d) The Notes are not and are not proposed to be admitted to trading or listing on any stock exchange or market.

3. Status of the Notes

- (a) The Notes and all amounts that become due to the Noteholders in accordance with this document are secured by the Charge.
- (b) Upon issue, the Notes will constitute secured, direct, general and unconditional obligations of the Issuer which rank *pari passu* among themselves and will at all times rank *pari passu* with all other present and future unsecured obligations of the Issuer.
- (c) The Notes do not confer on the Noteholder any entitlement to:
 - (i) vote at a general meeting of shareholders of the Issuer;
 - (ii) receive dividends; or
 - (iii) participate in any issue of securities, other than upon conversion of the Notes.

4. Interest

4.1 Accrual

Notwithstanding any other provision hereof, no interest is payable during or in respect of the Notes for the first year after the Issue Date. Interest accrues on each Note only following the first anniversary of the Listing Date whereupon it will accrue on each of the Interest Payment Dates and be calculated on the Face Value of each Note at the Prescribed Interest Rate.

4.2 Payment of Interest

- (a) The Issuer must pay the accrued interest to each Noteholder on each Interest Payment Date. The Issuer will pay such interest by electronic transfer of immediately available funds into an account nominated by the Noteholder.
- (b) Without limiting the obligation of the Issuer to pay interest in accordance with paragraph (a), interest that is not paid by the Issuer on an Interest Payment Date will be capitalised with interest accruing on that capitalised amount on a daily basis up to the date of actual payment from (and including) the Interest Payment Date at the Prescribed Interest Rate.

5. Right to Convert

5.1 Conversion at the option of the Noteholder

- (a) At any time after the expiration of 3 months of the Listing Date, a Noteholder may, by delivering a Conversion Notice to the Issuer, require conversion of any number of Notes into Shares of the Issuer.
- (b) On receipt of a duly executed Conversion Notice, the Issuer shall effect conversion of the Notes which are the subject of that Conversion Notice within 7 Business Days after the date of receipt of the Conversion Notice, provided that if the Issuer reasonably forms the view that the issue of a cleansing notice under Condition 5.7 on that date would materially prejudice the interests of the Issuer in forcing a disclosure which would not otherwise require disclosure under Listing Rule 3.1, then the Issuer shall be entitled to delay the conversion for a period of up to 15 Business Days. The Issuer's entitlement to delay conversion under this paragraph is subject to the right of Noteholders to convert prior to the record date of a dividend or distribution under Condition 5.4.
- (c) If, within 3 Business Days of receiving a Conversion Notice, the Issuer proposes to rely upon its rights to delay conversion under paragraph (b), then:
 - (i) it must immediately notify the relevant Noteholder of such delay (without specifying the matter or event which does not otherwise require disclosure under Listing Rule 3.1); and
 - (ii) at any time after receipt of a notice in accordance with subparagraph (i) and prior to conversion in accordance with paragraph (iii), the Noteholder shall have the right to withdraw its Conversion Notice; and
 - (iii) provided the Conversion Notice has not previously been withdrawn, on or before the expiration of the 15 day period referred to in paragraph (b), the Issuer must convert the Notes which are the subject of the Conversion Notice and issue a cleansing notice under Condition 5.7.
- (d) Following conversion, the Issuer shall promptly update its register.

5.2 Conversion actions

On the Conversion Date, the Issuer shall:

- (a) convert each Note which is the subject of that Conversion Notice into one Share (subject to adjustment in accordance with the Conversion Formula);
- (b) apply the Face Value of each Note which is the subject of that Conversion Notice, as payment for the Share or Shares referred to in paragraph (a);
- (c) allot and issue the Shares referred to in paragraph (a) to the Noteholder;
- (d) cause the Conversion Shares to be registered in the name of the Noteholder; and
- (e) pay to the Noteholder, by electronic transfer of immediately available funds into an account nominated by the Noteholder, any Accrued Interest on each Note the subject of that Conversion Notice,

upon the occurrence of which the principal and any interest payable under this Agreement on each Note the subject of that Conversion Notice will be deemed to have been fully discharged by the Issuer.

5.3 Conversion adjustment

- (a) On any adjustment under the Conversion Formula, the resulting number of Shares to be issued to a Noteholder under a Conversion Notice will be aggregated, and if not equal to a whole number of Shares, shall be rounded down to the nearest whole number of Shares.
- (b) The Issuer must give notice in writing of any adjustment to Noteholders as soon as practicable after the determination thereof.
- (c) All calculations of any nature whatsoever under the Terms and Conditions shall be performed by the Issuer unless otherwise specified.

5.4 Dividend and Conversion Process

The Issuer will provide sufficient notice to the Noteholders prior to the record date for a dividend or distribution to allow the Noteholders (should they elect to do so), to convert their Notes pursuant to Condition 5.1 and to receive the relevant dividend or distribution.

5.5 Becoming a Member

On allotment and issue of Conversion Shares to the Noteholder, the Noteholder authorises the Issuer to enter the Noteholder's name in the Issuer's register of shareholders and agrees to be bound by the terms of the Issuer's constitution.

5.6 Quotation of Shares

The Issuer will, on or before a Conversion Date, take all steps necessary to have the Conversion Shares issued on the Conversion Date quoted on the financial market operated by the ASX (including making an application for quotation immediately upon issue of the Conversion Shares) and cause to be issued to the Noteholder a certificate or holding statement for the Conversion Shares.

5.7 Cleansing notice

The Issuer will lodge a notice with ASX that complies with sections 708A(5) and 708A(6) of the Corporations Act as soon as practical, and in any event no later than 5 Business Days, after issuing the Conversion Shares on the Conversion Date.

5.8 Ranking of Shares issued on conversion

Each Share which comprises the Conversion Shares issued on conversion of a Note will be issued as fully paid and will rank equally with all other Shares then on issue.

5.9 Adjustment if no approval given

During the period in which the Notes remain outstanding, to the extent conversion of Notes by a Noteholder would require:

- (i) shareholder approvals under the Corporations Act (including section 606 of the Corporations Act, if the issue would cause the Noteholder to acquire a relevant interest in more than 20% of the shares of the Issuer); or
- (ii) approval by the Treasurer under the *Foreign Acquisitions and Takeovers Act 1975* (Cth),

the Issuer shall not be obliged to make such conversion, and shall convert only such Notes as is permitted by law without such approval (for example conversion of Notes into shares comprising 19.9% of the Issuer in order to comply with (a) above, or conversion of Notes into shares comprising 15% of the Issuer, if necessary to comply with (b) above). In such event, Notes in excess of the amount converted by the Issuer in accordance with this clause shall remain on issue save that their Maturity Date shall be deemed amended by these terms to be the Conversion Date.

6. Redemption of the Notes

6.1 Redemption at maturity

Unless previously redeemed or converted, the Notes will be redeemed on the Maturity Date by the Issuer paying to the Noteholders the amount equal to the Face Value of each Note plus any accrued but unpaid interest.

6.2 Additional Rights for Noteholders to Require Redemption

A Noteholder may also require the Issuer to redeem its Notes under Condition 8.

7. Events of Default

7.1 Events

Each of the following is an Event of Default (whether or not it is in the control of the Issuer).

- (a) **Default:** The Issuer materially defaults on any payment or other material term or condition in respect of the Notes;
- (b) **Administration, winding up, arrangements, insolvency etc**
 - (i) An administrator, receiver or controller is appointed to the Issuer or a member of the Issuer Group.
 - (ii) Except for the purpose of a solvent reconstruction or amalgamation previously approved by a majority of Noteholders:
 - (A) (i) an application made and not opposed within the time constraints permitted at law; or (ii) an order is made and not appealed (or leave to appeal is not sought) within the time constraints permitted at law; or (iii) proceedings are commenced

and not contested within the time constraints permitted at law; or (iv) a resolution is passed:

- (1) the winding up, dissolution or administration of the Issuer or a member of the Issuer Group; or
- (2) the Issuer or a member of the Issuer Group entering into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them; or
- (B) the Issuer or a member of the Issuer Group ceases, suspends or threatens to cease or suspend the conduct of all or a substantial part of its business or disposes of or threatens to dispose of a substantial part of its business.
- (C) The Issuer or a member of the Issuer Group:
 - (1) is, or under legislation is presumed or taken to be, insolvent (other than as the result of a failure to pay a debt or claim the subject of a good faith dispute); or
 - (2) stops or suspends or threatens to stop or suspend payment of all or a class of its debts (other than as the result of a failure to pay consequent upon the Issuer disputing in good faith liability).
- (c) the Issuer ceases to be admitted to the official list of the ASX or its Shares are suspended (as a consequence of a breach of the ASX Listing Rules) from trading for more than a total of 5 Trading Days in any 12 month period.

8. Effect of Default

8.1 Default Notice provided

If the Issuer does not remedy an Event of Default within 5 Business Days after any Noteholder has given a notice to the Issuer specifying the default or event and, where applicable, requiring its remedy (**Default Notice**) that Noteholder may:

- (a) elect to exercise the right to convert its Notes into Shares in accordance with Condition 5.1; or
- (b) elect to require the Issuer to redeem their Notes by delivering a redemption notice to the Issuer.

For the avoidance of doubt, the rights of the Noteholder under this Condition 8.1 continue to operate for so long as any default by the Issuer subsists, including after the Maturity Date if the Notes have not been redeemed on the Maturity Date.

8.2 Insolvency Event

At any time while an Event of Default subsists under Condition 7.1(b), any Noteholder may elect to require the Issuer to redeem its Notes by delivering a redemption notice to the Issuer, requiring the Issuer to pay to the Noteholder, within 5 Business Days, the amount equal to the Face Value of each Note plus any accrued but unpaid interest.

9. Transfer of the Notes

- (a) Subject to paragraphs (b) and (c), Noteholders shall be entitled to transfer some or all of their Notes at any time after they are issued but prior to the Maturity Date by written notice to the Issuer

- (**Transfer Notice**) advising details of the intended transferee of the Notes (**Transferee**) and the number of Notes to be transferred to the transferee (which may not be less than the amount specified in clause 10).
- (b) Upon receipt of an Transfer Notice, the Issuer covenants and agrees to meet with the Noteholder at a place agreed or failing agreement at the Issuer's registered office at 10.00am on the date 5 Business Days after the date of the Assignment Notice (**Transfer Settlement**).
- (c) At Transfer Settlement:
- (i) the Noteholder will deliver to the Issuer:
 - (A) the Note Certificate;
 - (B) the Transfers held by it under the Charge; and
 - (C) if the Transfer Notice relates to all Notes held by the Noteholder, the original Charge held by the Noteholder and a written acknowledgment of discharge of the Charge;
 - (ii) if the Transfer Notice is for less than all Notes held by the Noteholder, in exchange for the documents delivered under (i), the Issuer will deliver to the Noteholder:
 - (A) a replacement Note Certificate for the number of Notes held by the Noteholder after the transfer the subject of the Transfer Notice;
 - (B) replacement signed Transfers (as defined under the Charge) for a pro-rata reduction in the Pledged Assets the subject of the Charge;
 - (C) an amendment to the Charge in the terms reasonably requested by the Issuer to properly reflect the reduced Notes (and Debt) held by the Noteholder;
 - (iii) the Issuer will deliver to the Transferee:
 - (A) a Note Certificate for the Notes the subject of the Transfer;
 - (B) a Charge in favour of the Transferee for the value of the Notes (being the same value as the Debt using that expression as defined in the Charge) transferred to the Transferee – such Charge to be in the same pro-rata amount as the amount referred to in (i)(B) above; and
 - (C) signed Transfers (as defined under the Charge) in respect of the pro-rata number of Pledged Assets to be made the subject of the Charge (when taken together with the Transfers to be held by the transferring Noteholder under (ii)(b) above);
- (d) The happening of Transfer Settlement under this clause is interdependent on all acts specified in clause 9(c), and no action is deemed to occur unless and until all actions have been completed.
- (e) A Transferee must be a sophisticated investor or otherwise exempt offeree for the purpose of section 708 of the Corporations Act.

10. Minimum Parcels of Notes

A Noteholder may not, absent the consent of the Issuer which consent may in its absolute discretion be withheld with or without reason, hold less than 10% of the Notes outstanding (as determined immediately following the transfer, conversion or redemption).

11. Amendment

These Terms and Conditions may only be amended by the Issuer with the consent of the holders of not less than 70% of the Notes on issue.

12. Exercise of Powers by Noteholders

- (a) If there is only one Noteholder, the sole Noteholder shall exercise all the powers of the Noteholders.
- (b) Subject to paragraph (c), for the purpose of clause 11, if there is more than one Noteholder, each Noteholder shall have the right to participate in a general meeting of Noteholders and to vote to exercise the powers of Noteholders or approve a written resolution of Noteholders. Each Note carries the right to one vote. Unless stipulated otherwise in these Terms and Conditions, decisions shall be deemed to have been given if is approved by persons who hold, in aggregate, 70% of the outstanding Notes.
- (c) Noteholders shall not be required to hold a meeting for the purpose of clause 11 if a resolution is signed by Noteholders who hold in aggregate 70% of the outstanding Notes.

13. Payments in relation to the Notes

13.1 Form of payment

Any payment to be made pursuant to the terms of this Agreement shall be made by telegraphic transfer of cleared funds, unless the parties agree otherwise.

14. Notices

Any notice, demand, consent or other communication (a **Notice**) given or made under these Terms and Conditions:

- (a) must be in writing and signed by the sender or a person duly authorised by the sender;
- (b) must be addressed and delivered to the intended recipient at the address or fax number below or the address, email or fax number last notified by the intended recipient to the sender after the date of this Agreement:

- | | | |
|------|--|--|
| (i) | to the Issuer:
ANCOA NL | ANCOA NL
C/- PO Box 674 Kalamunda WA 6926

ATTN: Greg Steemson

Email: gsteemson@bigpond.com |
| (ii) | to Straits Mineral
Investments Pty Ltd: | C/- Straits Resources Limited
Level 1
35 Ventnor Avenue
West Perth
WA 6005, Australia

Attention: Chief Financial Officer

e-mail: mgibson@staits.com.au); |

(iii) to any other Noteholder To their address or fax number as set out in the Register.

- (c) will be taken to be duly given or made when delivered, received or left at the above email, fax number or address. If delivery or receipt occurs on a day which is not a business day in the place to which the Notice is sent or is later than 6pm (local time) at that place, it will be taken to have been duly given or made at the commencement of business on the next business day in that place.

15. Governing Law and Jurisdiction

The Notes are governed by and shall be construed in accordance with the laws of Western Australia, Australia. All disputes arising out of or in connection with the Notes or these Terms and Conditions shall be submitted to the non-exclusive jurisdiction of the courts exercising jurisdiction there.

Exhibit A

Adjustment Rules

The number of Shares into which a Note may be converted shall be subject to adjustment to the extent permitted and required by the ASX Listing Rules as if a Note were an option with an exercise price of \$0.425 (with resulting fractions being rounded down).

Exhibit B

[Conversion Notice is to be in a form to be agreed or failing agreement in such form as is suitable for the purpose and is provided by the Noteholder acting reasonably]

Exhibit C

[Form of Note Certificate is to be in a form to be agreed or failing agreement in such form as is suitable for the purpose and is provided by Emu acting reasonably]

Exhibit D

[Form of Pledge]

Executed and delivered as a deed poll in Perth, Western Australia.

Executed by ANCOA NL

Director Signature

Director/Secretary Signature

Print Name

Print Name

22 February 2012

The Directors
Emu Nickel NL
Level 2, 16 Ord Street
WEST PERTH WA 6005

Dear Sirs

Re: EMU NICKEL NL (ABN 50 127 291 927) ("EMU" OR "THE COMPANY") ON THE PROPOSAL OUTLINED IN RESOLUTION 3 TO THE NOTICE OF MEETING TO ACQUIRE 100% OF THE ISSUED CAPITAL OF ANCOA NL, A COMPANY THAT HAS THE RIGHT TO ACQUIRE ALL OF THE ISSUED CAPITAL OF HILLGROVE MINES PTY LTD. SHAREHOLDER MEETING PURSUANT TO AUSTRALIAN SECURITIES EXCHANGE ("ASX") LISTING RULE 10.1

1. Introduction

- 1.1 We have been requested by the Directors of Emu to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposal whereby Emu will acquire 100% of the issued capital of Ancoa NL ("Ancoa") as noted in resolution 3 to the Notice of Meeting of Emu ("the Notice"). Ancoa has a conditional agreement with Straits Resources Limited ("Straits"), an ASX listed company and Straits Gold Pty Ltd (a wholly owned subsidiary of Straits) ("Straits Gold") for Ancoa to acquire all of the issued capital of Hillgrove Mines Pty Ltd ("Hillgrove"), a company that owns the Hillgrove Antimony and Gold Mine that is on care and maintenance and associated mining assets. Hillgrove is currently a 100% owned subsidiary of Straits Gold.

Initially Ancoa entered into a conditional agreement to acquire Hillgrove for \$40,000,000 being \$20,000,000 cash and \$20,000,000 in shares (as announced by Straits via an ASX announcement) but Ancoa also had the option to issue convertible notes or shares in Ancoa subject to the successful listing of Ancoa on the Official List of the ASX. Due to market conditions, Ancoa did not complete an Initial Public Offering ("IPO") and the ASX listing was not achieved.

- 1.2 **After taking into account the factors referred to in 9 below and elsewhere in this report, we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages and thus the proposed Ancoa Acquisition as noted in paragraph 1.4 and resolution 3 in the Notice may be considered, on balance, to be fair and reasonable to the existing non-associated shareholders of Emu (not associated with Peter Thomas, Greg Steemson, Peter Secker and Greg McRostie).**

These conclusions are based on the premise that on completion of the Ancoa Acquisition, Ancoa with the assistance of Emu will complete the Hillgrove Acquisition. It should be noted that the chances of non completion of the Hillgrove Acquisition by Ancoa after completion of the Capital Raising by Emu may be considered extremely low but will require completion of the Capital Raising.

- 1.3 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report. To determine our opinion on fairness, we obtained a January 2012 Independent Technical Valuation Report ("Coffey Valuation Report") on the mineral tenement assets (the Hillgrove Antimony and Gold tenements) of Hillgrove prepared by Coffey Mining Pty Ltd (Paul Mazzoni is the principal author relating to the valuation). The report is quite comprehensive and has not been reproduced in full as an appendix to this report. Shareholders can contact the registered office of the Company and arrange to sight and read the full Coffey Valuation Report.
- 1.4 Two directors of Ancoa (Peter Thomas and Greg Steemson), approached Emu for Emu to effectively acquire all of the issued capital of Ancoa and subject to certain conditions subsequent, allow Ancoa to acquire the issued capital of Hillgrove by Emu funding the Hillgrove acquisition (on different terms as noted below). Peter Thomas is a director and shareholder in Emu (he presently has a relevant interest in 406,246 pre consolidated shares held in Emu) and Ancoa (he presently has a relevant interest in 9,250,000 shares and Greg Steemson is a director and shareholder of Ancoa (he presently has a relevant interest in 11,500,000 shares in Ancoa but no shares in Emu (but not yet a director of Emu). In the event that certain conditions are met as noted below, Ancoa will acquire all of the issued capital of Hillgrove from Straits Gold for \$10,000,000 cash and \$30,000,000 in convertible notes in Emu ("Notes"). However, Ancoa (in conjunction with Emu) has the right to settle the \$30,000,000 in cash, shares or Notes in Emu or a combination of cash, shares and Notes. The Notes in Emu proposed to be issued would comprise of 5 year Notes with an interest rate of 12.5% per annum (first 12 months are interest free) and convertible into Emu shares at 42.5 cents per Emu share. It is proposed that 70,588,235 Notes at 42.5 cents each (total \$30,000,000) would be issued by Emu to Straits, Straits Gold or its nominees as part consideration of Ancoa completing the acquisition of all of the shares in Hillgrove in the event that a capital raising as noted below is undertaken at an issue price of 30 cents per share.
- 1.5 Emu is proposing to consolidate its share capital on a 1 for 2.1756 (approximate) basis (resolution 2 in the Notice refers to the proposed consolidation of capital). Currently there are 59,828,940 shares on issue and post the consolidation of capital and prior to any other share issues there would be 27,500,000 post consolidated shares on issue. Emu is proposing to undertake a significant capital raising to issue up to 233,333,333 post consolidated shares ("Capital Raising") to raise a maximum of \$70,000,000 and a minimum of \$60,000,000 at 30 cents per post consolidated share (200,000,000 post consolidated shares would be issued at 30 cents per share to raise \$60,000,000. The Capital Raising is one of the conditions that need to be completed for Emu to complete the acquisition of all of the shares in Ancoa ("the Ancoa Acquisition") by issuing the Consideration Shares so Ancoa may then exercise its right to acquire all of the shares in Hillgrove. The Directors reserve the right to reduce the minimum subscription to \$55,000,000 but at this stage the minimum subscription is to be \$60,000,000 and percentage shareholdings noted in this report assume a minimum capital raising of \$60,000,000.
- 1.6 Emu is to acquire 100% of Ancoa. Initially a fee is being paid by Emu by Emu paying Ancoa a fee of \$800,000 on condition that the money will remain in the bank account of Ancoa until the acquisitions of Ancoa and Hillgrove are completed (that requires the completion of the Capital Raising minimum of \$60,000,000). If completed, the acquisition of Ancoa by Emu will result in the cash being available to Emu; if not the money will be released for use by Ancoa as it sees fit. The \$800,000 fee is described in the Explanatory Statement as an Option Fee. The Option Fee has been made for the purpose of securing to Emu the exclusive opportunity (exclusive option to purchase) to acquire the Hillgrove Mine from the date of the terms of the Master Agreement as agreed to be amended on 20 February 2012 until the Capital Raising is completed or fails. At that stage Ancoa still only has the right to acquire all of the shares in Hillgrove from Straits. The payment of the \$800,000 Option Fee is in effect an option to acquire all of the shares in Ancoa and is not subject to the Capital Raising noted above and elsewhere in this report. The \$800,000 Option Fee will be paid before Ancoa acquires all of the shares in Hillgrove ("the Hillgrove Acquisition") and in the event that the Capital Raising fails, the \$800,000 will be retained by

Ancoa and not refunded to Emu. At the date the proposed payment of the \$800,000 Option Fee to Ancoa there will be 48,216,669 shares on issue in Ancoa.

To acquire the shares in Ancoa, Emu will need to issue 27,500,000 post consolidated shares ("Consideration Shares") to the shareholders of Ancoa. Under IFRS the deemed issue price of such Consideration Shares will be the market price of the shares in Emu at the date of issue of the Consideration Shares. The deemed value at the time of negotiation between Emu and Ancoa was (based on the then market value thereof) approximately 6 cents per pre consolidated share (and approximately 13.05 cents on a post consolidated basis) for a deemed consideration of approximately \$3,588,750. The Explanatory Statement notes that the Directors of Emu considered that the notional price for the value of each share being issued in relation to the Ancoa Acquisition, being 80% of the volume weighted average share price ("VWAP") of 6.4 cents as traded on ASX to the date such price was agreed upon between Emu and Ancoa (and before the potential value of the Ancoa Acquisition was reflected in the share price of Emu shares) by the ratio (approximately 2.1756) in which pre consolidation shares were consolidated. However, under IFRS, the actual booked accounting cost may be 30 cents (post consolidation) that may, but not necessarily will follow the Capital Raising share price. The Consideration Shares will be issued following the Capital Raising (a minimum of a gross \$60,000,000 but the maximum is to be \$70,000,000) but before Ancoa completes the Hillgrove Acquisition (acquisition of all of the shares in Hillgrove). Following the Ancoa Acquisition (of all of the shares in Ancoa), Ancoa in conjunction with Emu will complete the Hillgrove Acquisition for the deemed cost of \$40,000,000 (excluding indirect acquisition costs of \$2,400,000, including stamp duty). It should be noted that in the absence of the Hillgrove Acquisition by Ancoa, the shares in Emu would probably fall in value compared to the current share price on a pre consolidated basis of between 6 cents and 8 cents (13.05 cents to 17.40 cents on a post consolidation of capital basis). The volume weighted average share price ("VWAP") over the three months to 13 January 2012 was approximately 6.4 cents on a pre consolidated basis (approximately 13.9 cents on a post consolidated basis).

This independent expert's report ("IER") replaces an IER that was dated 25 January 2012. The original IER was based on the then proposal to pay an option fee by way of 16,250,000 Initial Tranche 1 Consideration Shares (not a \$800,000 cash Option Fee) and then after raising the minimum Capital Raising, issue 11,250,000 Tranche 2 Consideration Shares to acquire all of the shares in Ancoa. Post the acquisition of Ancoa, Ancoa (with the assistance of Emu) would acquire all of the shares in Hillgrove (\$10,000,000 cash and \$30,000,000 by way of cash, shares or Notes or a combination thereof). This proposal was announced to the market on 8 February 2012. However the terms of the proposed option to acquire Ancoa and the then acquisition of Ancoa and the subsequent Hillgrove Acquisition was altered on 20 February 2012 so that the terms are now, the proposed payment of the \$800,000 Option Fee (as noted above and in effect an option to acquire Ancoa), the issue of 27,500,000 Consideration Shares (after the raising of a minimum of \$60,000,000 by way of a Capital Raising at 30 cents per share) and then acquiring Hillgrove by way of Ancoa (with the assistance of Emu) by the payment of \$10,000,000 and the issue of \$30,000,000 of Emu Notes. However, Ancoa in conjunction with Emu still retains the right to settle the \$30,000,000 by way of cash, shares in Emu or Notes in Emu or a combination thereof.

- 1.7 From the date that Emu acquires 100% of Ancoa, Emu will fund Ancoa including lending the initial \$10,000,000 (payable to Straits or nominee as part of the acquisition by Ancoa of all of the shares in Hillgrove) to Ancoa. It is expected that approximately a further \$40,000,000 will be lent by Emu to Ancoa for Ancoa to use to pay stamp duty, issue Environmental Bonds of \$4,000,000 (replaces existing bond guarantees of \$3,940,000), \$30,000,000 for additional plant and recommissioning of the existing plant and the balance as working capital. Resolution 8 in the Notice allows for the issue of up to 70,588,235 Notes with a total face value of \$30,000,000 that assumes the Capital Raising issue price is 30 cents each and thus the issue price of the Notes would be at 42.5 cents each (\$30,000,000 total value) (and exercisable at the Note Holders option into 70,588,235 post consolidated shares in Emu at 42.5 cents each). The date for completion of the Hillgrove Acquisition had been extended to 31 March 2012 and may be extended to 30 April 2012 by Ancoa paying an extension fee of \$200,000.

- 1.8 Hillgrove is the owner of the Hillgrove Antimony and Gold Mine that is currently on care and maintenance and is the owner of mining plant and equipment and mobile vehicles associated with the Hillgrove Antimony and Gold Mine. Hillgrove's unaudited net book assets (that assume that the inter company liability of approximately \$13,672,000 is eliminated to nil prior to the completion of the Hillgrove Acquisition) are noted elsewhere in this report (paragraph 5.4.1). The management of Ancoa believe that they have the knowledge and know-how to consider the re-opening of the Hillgrove Antimony and Gold Mine following the proposed Hillgrove Acquisition, although the re-commencement of mining cannot be assured by them or us.
- 1.9 Resolution 3 in the Emu Notice proposed to be issued to shareholders in February 2012 provides further information on the proposed Ancoa Acquisition. The Explanatory Statement attached to the Notice provides some information on Ancoa and the proposed conditional acquisition of all of the shares in Hillgrove by Ancoa.
- 1.10 It is proposed that Emu will acquire all of the issued share capital of Ancoa (resolution 3 in the Notice) from the Ancoa Shareholders for the total consideration of 27,500,000 shares (the Consideration Shares) in Emu. Conditions (amongst others that are not listed) to the Ancoa Acquisition along with other proposals to be put to shareholders include:
- the consolidation of capital on the basis of 1 new post consolidated share for every 2.1756 (rounded) existing pre consolidated shares on issue so that prior to any further share issues there would be approximately 27,500,000 post consolidated shares on issue (resolution 2 in the Notice);
 - issue a prospectus and issue shares pursuant to a Capital Raising of up to 233,333,333 post consolidated shares at 30 cents each ("Capital Raising Shares") to raise a maximum of \$70,000,000 and a minimum of \$60,000,000 (resolution 6 in the Notice). The Directors reserve the right to reduce the minimum subscription to \$55,000,000 but at this stage the minimum subscription is to be \$60,000,000 and percentage shareholdings noted in this report assume a minimum capital raising of \$60,000,000;
 - the shareholders of Straits and Emu are to be given a priority allocation of shares under the Capital Raising;
 - the issue of 75,000,000 Contingent Entitlement Shares (partly paid) as noted below (resolution 7 in the Notice);
 - change the name of the Company to Ancoa NL (resolution 1 in the Notice). The existing Ancoa NL will change its name to Bullantco NL;
 - change the nature and scale of activities of Emu (resolution 4 in the Notice);
 - appoint Greg Steemson as a new Director of Emu (resolution 5 in the Notice);
 - allow the issue of 70,588,235 Notes as noted above (resolution 7 in the Notice) at an issue price of 42.5 cents each for a gross value of \$30,000,000 (shares may be issued if the Notes are issued and converted by the Note Holder(s));
 - allow the issue of up to 100,000,000 post consolidated shares in Emu to Straits or nominee (resolution 9 in the Notice) (in case not all Notes are issued to Straits or nominee); and
 - Ancoa with the assistance of Emu completes the Hillgrove Acquisition.
- 1.11 By Emu acquiring all of the shares in Ancoa, the Ancoa Shareholders collectively will increase their shareholding interest in Emu to approximately 10.86% of Emu on the basis of the minimum Capital Raising via a prospectus offer (\$60,000,000 at 30 cents per share) being consummated (ignoring the exercise of any share options). This includes the existing 186,727 post consolidated shares held in Emu by the interests of Peter Thomas. The percentage collective interests of the ex Ancoa Shareholders will depend on the number of shares issued pursuant to the Capital Raising. The new shareholders from the Capital Raising will hold approximately 78.43% if the minimum Capital Raising is achieved at 30 cents per share and approximately 80.92% if 233,333,333 Capital Raising Shares are issued at 30 cents each to raise a gross \$70,000,000. The percentage collective interests of the Capital Raising Shareholders will depend on the number of shares issued pursuant to the Capital Raising.

- 1.12 There are 9 resolutions being put to the shareholders as noted above. We are not reporting on the merits or otherwise of resolutions 1 to 2 and resolutions 4 to 9 but do note that the passing of all 9 resolutions are part of the Ancoa Acquisition and recapitalisation of Emu and thus resolution 3 cannot be looked at in isolation.
- 1.13 ASX Listing Rule 10.1 provides that an entity must not, without shareholder approval, acquire a substantial asset from, or dispose of a substantial asset to a related party. A substantial asset is an asset valued at greater than 5% of the equity interests of a company. For the purposes of ASX Listing Rule 10.1, Peter Thomas may be deemed to be a related party of the Company due to the fact that he is a director of both Emu and Ancoa (and a substantial shareholder in Ancoa). In addition, Greg Steemson because he will be appointed a director of Emu following the passing of all 9 resolutions is to be a deemed related party. In addition, two other directors and shareholders of Ancoa, Messrs Peter Secker and Greg McRostie (not directors or shareholders in Emu) are proposed to be appointed as directors of Emu within six months of the completion of the Hillgrove Acquisition and are thus deemed to be related parties. Peter Thomas, Greg Steemson, Peter Secker and Greg McRostie will receive financial benefits either directly or indirectly by Emu acquiring all of the shares in Ancoa. The quantum of the Acquisition if it is assumed that Ancoa will complete the Hillgrove Acquisition after Ancoa is acquired by Emu is greater than 5% of Emu's equity interests as set out in the latest accounts given to ASX by the Company. As a result, the issue of 5,275,665 Consideration Shares to Peter Thomas and Susan Goodwin (partner of Peter Thomas) is considered to be a deemed acquisition of a substantial asset. The interests of Greg Steemson will be issued 6,558,936 Consideration Shares and the interests of Peter Secker and Greg McRostie will be issued 285,171 and 1,996,198 Consideration Shares respectively. Accordingly, the Company is seeking shareholder approval for the purpose of ASX Listing Rule 10.1 for the Ancoa Acquisition to proceed (the issue of the 27,500,000 Consideration Shares to acquire 100% of Ancoa).
- 1.14 ASX Listing Rule 10.1 provides that shareholder approval sought for the purpose of ASX Listing Rule 10.1 must include a report on the proposed acquisition from an independent expert. Stantons International Securities has been requested to provide an opinion on the fairness and reasonableness to the non-associated shareholders of Emu on the proposal under resolution 3. In order for us to report on the fairness and or reasonableness of the issue of 5,275,665 Consideration Shares to Peter Thomas and Susan Goodwin and 6,558,936 Consideration to the interests of Greg Steemson and the Consideration Shares to Peter Secker and Greg McRostie we have had to consider the overall Ancoa Acquisition (of all of the shares in Ancoa) that assumes that on completion of the Ancoa Acquisition, Ancoa with the assistance of Emu will complete the Hillgrove Acquisition.
- 1.15 Apart from this introduction, this report considers the following:
- Summary of opinion
 - Implications of the proposals
 - Corporate history and nature of business of Emu, Ancoa and Hillgrove
 - Future direction of Emu
 - Basis of valuation of Emu shares
 - Value of Considerations
 - Basis of valuation of Ancoa and Hillgrove
 - Conclusion as to fairness
 - Reasonableness of the Consideration
 - Conclusion as to reasonableness
 - Sources of information
 - Appendix A and our Financial Services Guide
- 1.16 In determining the fairness and reasonableness of the issue of 27,500,000 Consideration Shares to the Ancoa Shareholders as the share consideration for the Ancoa Acquisition (Ancoa has the right to acquire 100% of the shares in Hillgrove for the maximum consideration of \$40,000,000 as noted above), we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to

whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair. An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Although in this case the proposed acquisition of Ancoa is not a takeover offer, we have considered the general principals noted above to determine our opinions on fairness and reasonableness pertaining to the proposals under resolution 3.

2. Implications of the Proposals to acquire Ancoa and Ancoa acquiring Hillgrove

2.1 As at 21 February 2012, there were 59,828,940 ordinary fully paid shares on issue in Emu and the top 20 shareholders as per the top 20 shareholders list at 31 January 2012 owned approximately 45.66% of the ordinary issued capital of the Company. In addition, Emu has on issue as at 21 February 2012, 10,000,000 unlisted share options, exercisable at 50 cents each, on or before 27 February 2013, 1,830,000 unlisted share options, exercisable at 27 cents each, on or before 22 December 2014 and 180,000 unlisted share options, exercisable at 19.61 cents each, on or before 21 December 2015. It is proposed to complete the consolidation of capital as outlined above and in resolution 2 in the Notice so that the number of shares on issue reduces to 27,500,000 prior to any other share issues. The existing share options post consolidation of capital will be 4,596,438 share options exercisable at approximately \$1.088 each on or before 27 February 2013; 841,148 share options exercisable at approximately 58.741 cents per share on or before 22 December 2014 and 82,736 share options exercisable at approximately 42.663 cents per share on or before 21 December 2015.

2.2 In the event that the \$800,000 Option Fee is paid to Ancoa the Ancoa Shareholders would not own any of the issued capital of Emu post the consolidation of capital, but before the issue of the Capital Raising Shares as the payment of the Option Fee is similar in nature to an option to acquire Ancoa but after the issue of the 27,500,000 Consideration Shares, Emu will own 100% of the share capital of Ancoa. Emu is seeking authority from shareholders to issue up to 233,333,333 post consolidated Capital Raising Shares at an issue price of 30 cents each. The Company proposes to raise a minimum of \$60,000,000 by issuing 200,000,000 Capital Raising Shares at 30 cents each. A total of 233,333,333 Capital Raising Shares would be issued at 30 cents each to raise a gross \$70,000,000. Following the Capital Raising (number of shares not yet determined), Emu would then issue the 27,500,000 Consideration Shares to the Ancoa Shareholders so that Emu would then own 100% of the issued capital of Ancoa. The number of post consolidated shares on issue (pre exercise of any share options) would possibly range between 255,000,000 and 288,333,333 assuming a 30 cents issue price for the Capital Raising and the amount raised from the Capital Raising. Furthermore, 70,588,235 Notes in Emu could be issued at a deemed total value of \$30,000,000 that could be converted to ordinary shares in Emu at 42.5 cents per share that may be exercised into Emu post consolidated shares by the Note Holder(s) at 42.5 cents per share). The Notes carry a 5 year term and bear an interest rate of 12.5% (payable quarterly but no interest payable in years one).

The security for the Notes, if issued will be an unregistered pledge over all of the shares in Hillgrove. The Company at this stage is planning to issue a prospectus to raise a minimum of \$60,000,000 (200,000,000 shares) and a maximum of \$70,000,000 (233,333,333 shares) at 30 cents per share.

2.3 If the Ancoa Acquisition is completed, the collective shareholding of the existing shareholders in Emu could probably approximate between approximately 9.54% and 10.78% of the fully paid ordinary fully paid post consolidated shares on issue depending on the Capital Raising amount (we have assumed the Capital Raising shares would be issued at 30 cents per post consolidated share) and the number of Capital Raising Shares issued.

If we assumed 200,000,000 Capital Raising Shares are issued at 30 cents each, the existing shareholders fully paid shareholding interest in Emu would be approximately 10.784% before the exercise of any existing share options but after the issue of the Consideration Shares (approximately 9.537% if 233,333,333 Capital Raising Shares were issued at 30 cents each to raise gross \$70,000,000). If 70,588,235 Notes were issued and converted to ordinary shares in Emu, the potential number of fully paid shares may lie in the range of 325,588,235 shares and 358,921,568 shares, depending on the number of Capital Raising Shares issued. The potential shares on issue could increase if the existing share options are exercised. It is also proposed that 75,000,000 new shares may be issued to a trustee company on behalf of all shareholders registered at the immediately after the Capital Raising and are shareholders at the entitlement date at 45 cents each but no amounts would be payable until at least four years at which time the 45 cents uncalled capital could be called up but the call(s) could be later than 4 years ("Contingent Entitlement Shares"). Further details are referred to in the Explanatory Statement. As the Company is a No Liability company, shareholders have no legal requirement to meet the call but if any Contingent Entitlement Share call amounts are not paid, the shareholders who do not pay the call(s) forfeit their Contingent Entitlement Shares. On a fully diluted basis (all existing options exercised, 70,588,235 Notes converted and all Contingent Entitlement Shares fully paid), the potential number of shares on issue in Emu may lie between 400,588,235 and 433,921,568 depending on the number of Capital Raising Shares issued and assuming all 70,588,235 Notes are issued and converted to shares in Emu.

- 2.4 The current Board of Directors of Emu is expected to change in the near future as a result of the Ancoa Acquisition. The proposed new director as noted in the Explanatory Statement is Greg Steemson but a further two additional directors (Peter Secker and Greg McRostie) are also expected to be appointed within 6 months of completion of the Hillgrove Acquisition. The new appointment for Greg Steemson will become effective following approval for his appointment at the forthcoming general meeting of Emu shareholders. The existing directors are Peter Thomas, Roger Thomson and George Sakalidis. It is proposed that Roger Thomson will resign from the Board at the time Greg Steemson is appointed. Further directors may be added to the Board as the needs arise.
- 2.5 Ancoa will become a legally wholly owned subsidiary of Emu before the completion of the Hillgrove Acquisition. Currently, the net book assets of Ancoa approximate \$700,000 most of which is comprised of cash (after deducting creditors and accruals but ignoring capitalised preliminary Hillgrove Acquisition costs of around \$158,000) but Ancoa has the right to complete the acquisition of all of the shares in Hillgrove at a cost of \$40,000,000 plus stamp duty and other indirect costs. However, it is expected that at the time the cash Option Fee is paid the net cash reserves of Ancoa will be \$nil. In broad terms, the Directors of Emu deemed the cost of the issue of the Consideration Shares at approximately \$3,588,750 (around 13.05 cents per post consolidated Emu share using 6 cents as the pre consolidated share price as at 9 January 2012). The net asset backing per Emu share now approximates 8.3 cents (pre consolidated) (approximately 18.05 cents on a post consolidated basis) and the highest share price of an Emu share trading on ASX over the four months to 11 January 2012 was 8 cents (pre consolidated). At 8 cents per share (17.40 cents on a post consolidated basis), the Emu Directors deemed consideration cost of the Consideration Shares would be \$4,963,750. Section 6 of this report refers to the potential booked cost of acquisition of Ancoa and the proposed costs of the Hillgrove Acquisition by Ancoa. It is noted that without the proposed Ancoa Acquisition by Emu and the completion of the Hillgrove Acquisition, the share price of an Emu share trading on ASX would probably be below the 4 month high to 11 January 2012 of 8 cents (pre consolidated basis). The Emu Directors considered that the fair value of the Consideration Shares to approximate 6 to 7 cents on a pre consolidated basis and that Emu would then need to fund the Hillgrove Acquisition (\$40,000,000 as noted above plus additional working capital costs). However, as noted in section 6 of this report, the actual deemed accounting cost per Consideration Share under International Financial Reporting Standards ("IFRS") may be the Capital Raising issue price (but will be the actual market value at the date of issue of the Consideration Shares). At 30 cents per Consideration Share, the accounting cost may approximate \$8,250,000 for the 27,500,000 Consideration Shares. The Option Fee was set at \$800,000 (in effect the reimbursement of costs incurred by Ancoa in the negotiations to acquire the option to acquire Hillgrove) and thus including the Option Fee, the total

accounting cost of acquiring Ancoa may approximate \$9,050,000. The \$800,000 is non refundable in the event the Capital Raising is not completed but the \$800,000 remains in the expanded Emu Group in the event that the Ancoa Acquisition proceeds. The \$800,000 in this case will be refunded to the parent entity, Emu.

- 2.6 On completion of the Hillgrove Acquisition by Ancoa (that requires the assistance of Emu), Emu will own 100% of Ancoa that will own 100% of Hillgrove. Hillgrove owns the Hillgrove Antimony and Gold Mining tenements and associated plant and equipment as more fully described in the Explanatory Statement and the Coffey Valuation Report. The Hillgrove Antimony and Gold Mine is currently on care and maintenance but it is proposed (but not guaranteed) that Ancoa will, after spending approximately \$40,000,000 in acquisition costs and a further up to \$40,000,000 in new plant, environmental bonds and indirect acquisition costs, reactivate the Hillgrove Antimony and Gold Mine and recommence Antimony and gold mining.

3. Corporate History and Nature of Business

Emu

3.1 Principal Activities and Significant Assets

Emu is an ASX listed company that is trading as a mineral exploration company. Its main asset is cash at bank and on deposit of around \$5,000,000. It has an interest in the following mineral properties:

- Emu Lake nickel project. Emu has earned 80% of Image Resources Limited's 37.9% interest in the project and has elected to proceed to 100% of Image Resources' interest in the project by sole funding 100% of the exploration on a package of tenements including the Emu Lake project;
- A 51% interest in the Windy Knob copper/zinc/gold prospect 55km south of Meekatharra in Western Australia;
- A 30% interest in the Kambalda West iron, silver and copper prospect at Woolgangie in Western Australia;
- A 100% interest in the Madoonia Downs gold and nickel prospects 120km SE of Kalgoorlie; and
- A 100% interest in the Salmon Gums gold prospects in Western Australia.

The book carrying value of the mineral interests' are nil as exploration and evaluation costs are expensed as incurred. The Company also owns some small shareholdings in other listed companies but these are immaterial in value (approximate value \$45,000). Notwithstanding the various interests in the above projects, the market is virtually ascribing no value to the projects as the cash asset backing is in excess of the share price over the 4 months to 11 January 2012.

Ancoa and Hillgrove

- 3.2 Ancoa was incorporated in Australia in July 2010 as a non listed public company. Its shareholders at the time of the issue of the Consideration Shares are as listed in appendices attached to the Explanatory Statement attached to the Notice. Ancoa has a conditional agreement (Ancoa Share Sale Agreement of August 2011) with Straits for Ancoa to acquire all of the issued capital of Hillgrove a company that owns the Hillgrove Antimony and Gold Mine that is on care and maintenance and associated mining assets. Hillgrove is currently a 100% owned subsidiary of Straits Gold that in turn is 100% owned by Straits. Initially Ancoa entered into a conditional agreement to acquire Hillgrove for \$40,000,000 being \$20,000,000 cash and \$20,000,000 in shares and/or convertible notes in Ancoa subject to the successful listing of Ancoa on the Official List of the ASX. Due to market conditions Ancoa did not complete an IPO to raise a gross minimum of \$70,000,000 (and a maximum of \$100,000,000) and the ASX listing was not completed.

- 3.3 Ancoa (in conjunction with Emu) has re-negotiated with Straits for the Hillgrove Acquisition to be \$10,000,000 in cash and a further \$30,000,000 payable to Straits or nominee by way of Notes in Emu (but the \$30,000,000 may also be settled by cash, shares in Emu or Notes or a combination thereof) The total deemed consideration is \$40,000,000 and the Hillgrove Acquisition will only be consummated after completion of the Capital Raising as noted above. It is noted that another listed company offered to pay Ancoa the sum of \$4,700,000 (the cash Option Fee payable by Emu is \$800,000) and arrange for the completion of the Hillgrove Acquisition (subject to the acquisition cost being \$35,000,000). This offer was not accepted by the Directors of Ancoa as they believe the Emu proposals are more beneficial to the Ancoa shareholders.
- 3.4 Details on Hillgrove's mineral interests are outlined in the Coffey Valuation Report that is available for inspection at the registered office of the Company. Hillgrove, in addition to its mineral tenement interest (Antimony and gold) owns mining plant and equipment (including mobile equipment and office equipment) that has been used in mining Antimony and gold before the Hillgrove Antimony and Gold Mine was placed into care and maintenance in 2009. The book value of Hillgrove's mining interest is \$12,079,000 (being written down by Straits management following placing the Hillgrove Antimony and Gold Mine into care and maintenance). The unaudited balance sheet of Hillgrove as at 30 November 2011 discloses a negative liability position of approximately \$3,428,000 after allowing for an amount owing to Straits or Straits Gold of \$13,672,000 and a positive \$10,244,000 after eliminating the inter-company loan that is expected to be eliminated to nil just prior to the completion of the Hillgrove Acquisition (if consummated). The adjusted unaudited Hillgrove balance sheet is disclosed in paragraph 5.4.1 of this report.
- 3.5 It is estimated by Ancoa that to take the Hillgrove Antimony and Gold Mine out of care and maintenance and reactivate mining operations, approximately \$40,000,000 will be required (this is in addition to the \$40,000,000 Hillgrove Acquisition cost noted above). It is expected that the further \$40,000,000 will be used to pay stamp duty, issue an Environmental Bond of \$4,000,000 (replace the environmental bond guarantees of \$3,940,000), \$30,000,000 for additional plant and recommissioning of existing plant and the balance as working capital.

4. Future Directions of Emu

- 4.1 We have been advised by the directors and management of Emu that:
- There are no proposals currently contemplated either whereby Emu will acquire any further properties or assets from the Ancoa Shareholders (however Emu will pay the cash Option Fee of \$800,000 to Ancoa and issue the Consideration Shares as outlined above in relation to the Ancoa Acquisition) or where Emu will transfer any of its property or assets to Ancoa or its shareholders;
 - The Company will complete the consolidation of capital as outlined in resolution 2 in the Notice;
 - The composition of the Board of Directors of Emu will change in the short term as noted above;
 - The Company will raise a minimum \$60,000,000 proposed to be raised via the Capital Raising pursuant to a prospectus to be lodged with ASIC in due course (shareholders are being asked to approve a maximum of 233,333,333 post consolidated Capital Raising Shares at 30 cents each to raise up to \$70,000,000). It is expected that 200,000,000 Capital Raising Shares may be issued at 30 cents each to raise a gross \$60,000,000 with the right to raise up to \$70,000,000 at 30 cents per Capital Raising Share (refer paragraph 1.10);
 - The Company may issue 70,588,235 Notes with a total value of \$30,000,000;
 - The Company will issue 75,000,000 Contingent Entitlement Shares (with unpaid capital of 45 cents per share);
 - The Company proposes to change its name to Ancoa NL and the existing Ancoa NL will change its name to Bullantco NL;
 - No dividends are planned to be paid for at least two years and thereafter dividends will only be paid out of positive cash flows from operations;

- The Company will ensure that Ancoa completes the Hillgrove Acquisition at a maximum cost of \$40,000,000 plus indirect acquisition costs (paragraph 1.3 refers); and
- The Company will endeavour to enhance the value of its interests in the Hillgrove Antimony and Gold Mine proposed to be acquired under the Ancoa Acquisition and then the Hillgrove Acquisition. Paragraphs 1.6 and 2.3 above refer to other proposals of the Company.

5. Basis of Valuation of Emu Shares

5.1 Shares

5.1.1 In considering the proposal to acquire all of the shares in Ancoa, we have sought to determine if the considerations payable by Emu to the Ancoa Shareholders are fair and reasonable to the existing non-associated shareholders of Emu (not associated with Ancoa and Peter Thomas, Greg Steemson, Peter Secker and Greg McRostie).

5.1.2 The offer would be fair to the existing non-associated shareholders if the value of the ordinary shares in Ancoa being acquired by Emu is greater than the implicit value of the shares in Emu being offered as consideration. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Emu shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of an Emu share (and also an Ancoa share) are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price at which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The market price of Emu shares.

5.2 Capitalised maintainable earnings and discounted cash flows.

5.2.1 Due to Emu's current operations, a lack of a reliable long term profit history arising from business undertakings and the lack of a reliable future cash flow from current business activities, we have considered these methods of valuation not to be relevant for the purpose of this report.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for Emu could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of Emu have formed the view that there are unlikely to be any takeover bids made for Emu in the immediate future.

5.4 Adjusted Net Asset Backing

5.4.1 We set out below an unaudited balance sheet (statement of financial position) of Emu (Balance Sheet "A") as at 31 December 2011, adjusted for estimated administration and other costs for the period 1 January 2012 to 28 February 2012 of say \$300,000. In addition, we disclose a pro-forma consolidated Balance Sheet "B" assuming the following:

- Undertake a 1 for approximately 2.1756 consolidation of capital as noted above;
- The payment of \$800,000 to Ancoa relating to the Option Fee;
- The issue of say 200,000,000 post consolidated Capital Raising Shares at 30 cents each to raise a gross \$60,000,000 (the maximum subscription is to be set at \$70,000,000) and the incurring of capital raising costs estimated at \$3,150,000 (including commissions of up to \$3,000,000);

- The acquisition of all of the shares in Ancoa by way of an issue of 27,500,000 Consideration Shares (deemed booked accounting cost approximately \$8,250,000) that assumes inter-alia that the market value of a Emu share approximates 30 cents, being the proposed Capital Raising price; and
- The net book assets of Ancoa are assumed to be \$nil.

In addition, we disclose a pro-forma consolidated Balance Sheet "C" assuming the following:

- The above assumptions to arrive at Balance Sheet B; and
- The acquisition of all of the shares in Hillgrove by Ancoa by the payment of \$10,000,000 cash to Straits and the issue of 70,588,235 Notes by Emu at 42.5 cents each to Straits (cash lent to Ancoa from the Capital Raising and the Notes with a deemed face value of \$30,000,000 issued by Emu on behalf of Ancoa);
- Accounting for the excess of the fair value of the net assets acquired (based on the independent valuation of the Hillgrove tenements as supplied by Coffey) over the cost of acquisition as income (estimated at \$58,694,000);
- The issue of 75,000,000 of Contingent Entitlement Shares (45 cents uncalled capital);
- The payment of an estimated \$2,400,000 of indirect acquisition costs.

In determining the Balance Sheet C we assume that the intercompany liability (approximately \$13,672,000) owing by Hillgrove to Straits or Straits Gold will be eliminated to nil. In effect after the elimination of the intercompany loan, the summarised 30 November unaudited balance sheet at book values of Hillgrove approximates:

Receivables	347,000
Inventories	1,754,000
Assets classified as held for re-sale	226,000
Property, plant and equipment	<u>12,079,000</u>
Total assets	14,406,000
Less:	
Payables	141,000
Interest bearing liabilities - current	165,000
Interest bearing liabilities – non current	211,000
Provisions - current	165,000
Provisions non current	<u>3,480,000</u>
Total Liabilities	<u>4,162,000</u>
Net assets at book values	<u>\$10,244,000</u>

It is not expected that the final unaudited balance sheet of Hillgrove will be materially different at the date the Hillgrove Acquisition is consummated (on the assumption the Hillgrove Acquisition will proceed). The property, plant and equipment has been disclosed in the books at the impaired written down value of \$12,079,000 but all exploration and development costs have been expensed. A summarised draft report on the value of the plant and equipment indicated that the value on a as-is basis was around \$12,221,000 (with a preliminary estimated replacement price of around \$28,444,000). We have accepted the impaired book value of \$12,079,000 as being reasonable representation of current fair market (as-is) values for the plant and equipment. The preferred fair value of the mineral tenements based on the Coffey Valuation Report (see paragraph 7.8 below) is approximately \$81,000,000.

	Unaudited Adjusted 31 December 2011 Emu \$000	Unaudited Pro-forma 31 December 2011 Emu (including Ancoa only) \$000	Unaudited consolidated pro-forma 31 December 2011 (Emu incorporating Ancoa and Hillgrove \$000 "C"
	"A"	"B"	"C"
Current Assets			
Cash assets	5,098	61,148	48,748
Receivables and prepayments	92	92	439
Financial assets	44	44	44
Assets classified as held for sale	-	-	226
Inventories	-	-	1,754
Total Current Assets	5,234	61,284	51,211
Non Current Assets			
Property, Plant and Equipment	24	24	12,103
Intangibles (including rights to acquire Hillgrove)	-	9,050	105,300
Total Non Current Assets	24	9,074	117,403
Total Assets	5,258	70,358	168,614
Current Liabilities			
Trade and Other Payables	344	344	485
Borrowings – interest bearing	-	-	165
Provisions	-	-	165
Total Current Liabilities	344	344	815
Non Current Liabilities			
Interest bearing liabilities	-	-	211
Provisions- employees	-	-	15
Provision for rehabilitation	-	-	3,465
Notes- interest bearing	-	-	30,000
Deferred tax liability	-	-	24,300
Total Non Current Liabilities	-	-	57,991
Total Liabilities	344	344	58,806
Net Assets	4,914	70,014	109,808
Equity			
Issued Capital	8,816	73,916	73,916
Share based payments reserve	120	120	120
Accumulated Losses	(4,022)	(4,022)	35,772
Total Equity	4,914	70,014	109,808

The net asset (book value) backing per fully paid (pre acquisition of Ancoa) ordinary Emu share as at 31 December 2011 as adjusted based on the unaudited adjusted balance sheet (Balance Sheet "A") and 59,828,940 pre consolidated ordinary shares on issue is approximately 8.21 cents (refer paragraph 5.4.5 below) (approximately 17.86 cents on a post consolidation basis).

- 5.4.2 Based on the unaudited pro-forma B net asset book values, this equates to a value per fully paid ordinary share post the Capital Raising of 200,000,000 post consolidated Capital Raising Shares (at 30 cents each) and the Ancoa Acquisition (255,000,000 post consolidated fully paid ordinary shares on issue) of approximately 27.45 cents per post consolidated share (ignoring the value, if any, of non-booked tax benefits).

Based on the unaudited pro-forma C net asset book values, this equates to a value per fully paid ordinary share post the Capital Raising of 200,000,000 post consolidated Capital Raising Shares and the Ancoa Acquisition and the Hillgrove Acquisition (255,000,000 post consolidated ordinary shares on issue and 70,588,235 Notes on issue) of approximately 43.06 cents per post consolidated fully paid share (ignoring the value, if any, of non-booked

tax benefits). Uncalled capital on the Contingent Entitlement Shares totals \$31,875,000 and no call will be made for at least four years.

- 5.4.3 We have accepted the amounts as disclosed for all current assets and non current assets. We have been advised by the management of Emu that they believe the carrying value of all current assets, fixed assets and liabilities at 31 December 2011 (as adjusted as noted above) are fair and not materially misstated.
- 5.4.4 We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between Emu and other parties. We also note it is not the present intention of the Directors of Emu to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in Emu based on the market perceptions of what the market considers an Emu share to be worth.
- 5.4.5 The market has either generally valued the vast majority of mineral exploration companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that trading of shares in Emu is on low volumes (although the market is kept fully informed of the activities of the Company). It is noted that the net book asset backing approximates 8.21 cents per pre consolidated share (approximately 17.86 cents per share on a post consolidated basis) that is in excess of the trading prices of Emu's shares trading on ASX over the past 4 or so months. In effect, the market is applying no real value to the current mining interests of Emu and effectively is treating the Company as a cash box. It would be expected that over time and in the absence of any mineral exploration success, that the share price would drift down and trade below the share price of around 6 cents as at 11 January 2012. However, completion of the Ancoa Acquisition is subject to the Company raising a minimum of a gross \$60,000,000 and after allowing for capital raising costs, the net book value of Emu (immediately before the Hillgrove Acquisition by Ancoa) may approximate \$70,014,000 (refer assumptions in paragraph 5.4.1 above) or approximately 27.45 cents per fully paid share (255,000,000 post consolidated fully paid shares on issue). However, it is noted that from Emu's point of view as the legal parent company, the value ascribed to the 27,500,000 Consideration Shares to be issued to the remaining Ancoa Shareholders to acquire 100% of Ancoa would be accounted for at the market value of a Emu share at date of issue which is assumed to be 30 cents per post consolidated share. However, it is noted that in the absence of the proposed Ancoa Acquisition and subsequent Hillgrove Acquisition, the share price would be around the 6 cent pre consolidated level and may well fall below that price (trades at between 5.4 cents and 6 cents on 11 January 2012) and the shares have traded up to 7.3 cents per pre consolidated share to 31 January 2012. On 8 February 2012, the Company announced the proposal to acquire Ancoa (refer paragraph 1.6 above as to the original proposals) and then Ancoa acquiring Hillgrove. Since 8 February 2012, the Emu shares trading on ASX to 17 February 2012 have traded between 10.5 cents and 12.0 cents on a pre-consolidated basis (equivalent to approximately 22.84 cents and 26.10 cents on a post consolidated basis).

We note that the maximum Capital Raising (\$70,000,000) is to issue up to 233,333,333 Capital Raising Shares at 30 cents each and it is expected that post the consolidation of capital and post the announcement of the Ancoa and Hillgrove proposed acquisitions, the future share price may well be at least the Capital Raising issue share price. However the Capital Raising at 30 cents or some other price per share is based on the premise of the Ancoa Acquisition proceeding (and this assumes that Ancoa will then complete the Hillgrove Acquisition). The actual share price at the date of acquisition of Ancoa and ultimate acquisition of Hillgrove cannot be determined at this point of time but it is expected to be at 30 cents each. It is noted that the current plan is to issue the Capital Raising Shares at 30 cents each (to raise a gross \$60,000,000 and possibly up to \$70,000,000) but this well may change and could become a minimum of \$55,000,000.

5.5 Market Price of Emu Fully Paid Ordinary Shares

- 5.5.1 Share prices in Emu as recorded on the ASX since 1 September 2011 up to and including 11 January 2012 have been as follows:

	High Cents	Low Cents	Closing Price Cents	Volume 000's	Equivalent share price after the proposed consolidation Last Sale (cents)
September	8.0	6.5	6.5	486	14.14
October	7.0	6.5	6.5	277	14.14
November	6.7	6.5	6.7	144	14.57
December	6.7	6.1	6.1	496	13.27
January 2012 to 11 th)	6.1	5.4	6.0	187	13.05

The volume of shares traded in Emu trading on ASX is quite low however they are not so low that they cannot be ignored completely in considering the fairness of the proposed Ancoa Acquisition. Many other companies' shares trade on thin volumes and may trade above or below net technical and book values. Often speculation of a corporate deal will be factored into a share price. The pre-announcement and pre consolidated share price of between 6.0 cents and 6.7 cents may not necessarily be fair value but it is still an indicator to use in assessing fairness of the Ancoa Acquisition. However, in our opinion, the proposed Capital Raising price is a more appropriate price (assumed to be 30 cents on a post consolidation basis) to use in assessing fairness of the Ancoa acquisition and subsequent assumed Hillgrove Acquisition (in relation to the issue of the Consideration Shares). The payment of the \$800,000 Option Fee (as describe above) is not subject to the Capital Raising and in the event that the Ancoa Acquisition and subsequent Hillgrove Acquisition are not completed, then the share price will probably be around 13 cents on a post consolidation basis (6 cents on a pre consolidated basis). Subsequent to 11 January 2012 (to 17 February 2012), the shares in Emu as traded on ASX have traded between 6.1 cents and 12.0 cents (on a pre consolidated basis).

5.6 The future value of an Emu share will depend upon, inter alia:

- The future commercialisation of the existing mineral interests and the successful exploitation of the Mineral Assets of Hillgrove (if acquired by acquiring all of the shares in Ancoa and Ancoa completing the Hillgrove Acquisition);
- The state of the gold, Antimony and base metal markets (and prices) and foreign exchange rates;
- Cash position of Emu;
- The state of Australian and overseas stock markets;
- Membership and control of the Board and quality of management;
- General economic conditions; and
- Liquidity of shares in Emu.

5.7 Conclusion on the Value of Emu Shares

Our view is that in considering the value to ascribe to the Consideration Shares to be issued to the Ancoa Shareholders, it is more appropriate to the post consolidated share price under the Capital Raising that will be at 30 cents per post consolidated (the latest proposal is to issue the Capital Raising Shares at 30 cents each and raise a gross \$60,000,000 with a maximum of \$70,000,000). We also note that in the absence of a significant acquisition the value per Emu share could be lower than the around 6 cent (pre consolidation) share price in early to 11 January 2012 and the Directors of Emu considered the fair value to approximate 5.12 cents on a pre consolidated basis (80% of VWAP leading up to the agreement to acquire 100% of Ancoa).

The Directors will need to consider the accounting standards in determining the final price attributable to the 27,500,000 Consideration Shares to be issued to acquire Ancoa. Arguably the Capital Raising issue price may be considered to represent a fair market value of the Company's shares at the time of issue of the Consideration Shares although it is noted that the Capital Raising is being undertaken on the assumption that Ancoa will be acquired (and the Capital Raising is a pre condition of full settlement of the Ancoa

Acquisition) and that once Ancoa is a 100% owned subsidiary of Emu, Ancoa in conjunction with Emu will complete the Hillgrove Acquisition.

6. Value of Considerations

- 6.1 In our view the booked values (in the books of Emu) of the considerations being offered are on a post consolidation basis may be as follows:

Payment of the Option Fee	800,000
Issue of the 27,500,000 Consideration Shares at a deemed 30 cents each	<u>8,250,000</u>
Total deemed accounting cost of acquiring Ancoa	<u>9,050,000</u>

The Option Fee may be expensed by Emu and not treated as part of the acquisition cost of Ancoa.

- 6.2 It is noted that at the time of negotiation of the Ancoa Acquisition, the Emu directors believed the fair market value of an Emu share was around 6 cents on a pre consolidated basis (13.05 cents on a post consolidated basis) and that the share price of an Emu share would only rise on the basis that the Ancoa Acquisition and the Hillgrove Acquisition would be consummated. It is noted that to complete the Ancoa Acquisition Emu must complete the Capital Raising.

- 6.3 In effect, we are assuming that following the Ancoa Acquisition, Ancoa in conjunction with Emu will ensure the Hillgrove Acquisition is completed. The cost of the Hillgrove Acquisition is \$10,000,000 in cash along with a further \$30,000,000 payable in Emu Notes (Ancoa still has the right in conjunction with Emu to settle the \$30,000,000 by way of cash, Emu shares or Notes or a combination thereof). The current intention is to settle the \$30,000,000 by the issue of the Notes. Thus putting aside any interest costs associated with the issue of the Notes, the consideration to acquire Hillgrove is \$40,000,000 and thus the total deemed accounting consideration to acquire Ancoa and then Hillgrove may be \$49,050,000 (although the Option Fee may be expensed).

It is expected that approximately a further \$40,000,000 will be lent to Ancoa for Ancoa to use to pay stamp duty, issue environmental bonds of \$4,000,000, \$30,000,000 for additional plant and recommissioning of existing Hillgrove plant and the balance as working capital. These funds will be used from the proceeds of the Capital Raising.

7. Basis of Valuation of Ancoa and Hillgrove

- 7.1 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market.

- 7.2 Ancoa is an unlisted public company and therefore valuing the shares on a takeover basis and on a market based approach are not relevant. There was however an indication that one other party wished to pay Ancoa \$4,700,000 and take the place of Ancoa to acquire all of the shares in Hillgrove but at a cost of \$35,000,000 (no contract signed). Ancoa was planning to release a prospectus and undertake an IPO in the last quarter of 2011 to raise a gross \$70,000,000 (minimum) and up to \$100,000,000 but due to market conditions, the IPO process and ASX Listing was put on hold. The Ancoa prospectus assumed that Ancoa would acquire all of the shares in Hillgrove for a cost of \$40,000,000 (\$20,000,000 in cash and \$20,000,000 in Ancoa shares or Ancoa convertible notes). The shareholders in Ancoa do not have an active market to trade their shares. As at early January 2012, Ancoa in effect has only two assets; being cash (net of payables) of approximately \$700,000 (expected to be \$nil at the date the cash Option Fee is paid) and the right to acquire 100% of the shares in Hillgrove from Straits. Hillgrove as noted above is the owner of the Hillgrove Antimony and Gold Mine that is on care and maintenance and Hillgrove also owns the Hillgrove mining plant (including mobile equipment) and has an environmental obligation to restore the Hillgrove site.

- 7.3 In January 2012, the Company in conjunction with ourselves obtained a valuation report of the mineral assets (tenements) of Hillgrove (range of values) and more fully described in the Coffey Valuation Report of January 2012.
- 7.4 The unaudited consolidated statement of financial position (balance sheet) of Hillgrove at 31 December 2011 is disclosed under paragraph 5.4.1 above after assuming that the intercompany loan due to Straits of approximately \$13,672,000 is eliminated in the event that the Hillgrove Acquisition proceeds. This balance sheet shows Hillgrove's net assets carried at a book value of approximately \$10,244,000 with the past development, exploration and evaluation expenditure carried at a book value of \$nil.
- 7.5 Completion of the Ancoa Acquisition and subsequently the Hillgrove Acquisition is conditional on all necessary due diligence being undertaken on the ownership interests of Ancoa and the ownership of the Mineral Assets owned by Hillgrove. We advise that we have not undertaken any further steps to ascertain ownership of Ancoa, its assets and liabilities and the ownership of the assets and extent of liabilities of Hillgrove.
- 7.6 Stantons International Securities, in conjunction with Emu and Ancoa commissioned Coffey (principal author of the Valuation Report is Paul Mazzoni) to prepare a valuation report of the Mineral Assets. The Coffey Valuation Report is available for inspection at the registered office of the Company. The Coffey Valuation Report ascribes a range of values to the interests in the mineral tenement interests ("Mineral Assets") of Hillgrove and for the purposes of our report we have used the low, high and mid range market valuations referred to in the Coffey Valuation Report.
- 7.7 We have used and relied on the Coffey Valuation Report on the Mineral Assets and have satisfied ourselves that:
- Coffey is a suitably qualified consulting firm and has relevant experience in assessing the merits of gold and base metal projects and preparing gold and base metal asset valuations (also the principal author of the valuation report Paul Mazzoni is suitably qualified and experienced);
 - Coffey and the authors of the Coffey Valuation Report are independent from Emu, Ancoa and Straits; and
 - Coffey has to the best of our knowledge employed recognised methodologies in the preparation of the Coffey Valuation Report on the Mineral Assets.
- 7.8 Coffey has provided a range of market values of the interests in the Mineral Assets. Coffey has ascribed a range of values as follows:

	Low	Preferred	High
	\$	\$	\$
Mineral Assets	<u>31,700,000</u>	<u>81,000,000</u>	<u>131,800,000</u>

- 7.9 We have accepted the amounts as disclosed for all current assets and non current assets. We have been advised by the management of Emu that they believe the carrying value of all current assets, fixed assets and liabilities at 31 December 2011 (as adjusted as noted above) are fair and not materially misstated. The non current assets include mining plant and equipment of approximately \$12,079,000. The Directors of Emu consider that due to the age of the plant, the carrying value on a going concern basis approximates the net book values (refer paragraph 5.4.1 of this report pertaining to possible plant values). We have no reason to believe that this is not the case, but note that in the absence of the Hillgrove Mine recommencing mining operations (and approximately \$40,000,000 may be required to be spent for this to occur and with no guarantees that mining will re-commence), the values of the mining plant and equipment may need be based on fire sale prices (sales not on a going concern basis) and the actual realisable values may be lower. On a going concern basis, the value to Hillgrove may be initially more than written down book values. As the Mining Assets (mineral tenements) have a book value of approximately \$nil and the preferred valuation is \$81,000,000 there may be an unrealised deferred tax liability of around \$24,300,000 using a 30% tax rate assuming the tax base is nil (approximately \$9,510,000 using the low value noted above and \$39,540,000 using the high value noted

above). Taking into account Hillgrove's other assets and liabilities adjusted as noted above, the net fair value of Hillgrove may fall in the range of approximately \$32,434,000 to \$102,504,000 with a preferred fair value of \$66,944,000. However, it is noted that the Mineral Assets have prospectivity and the ultimate value may rise in the event of commercial success (that requires the Hillgrove Antimony and Gold Mine to be taken out of care and maintenance and mining re-commenced).

8. Conclusion as to Fairness

- 8.1 The proposal to acquire the shares in Ancoa and ultimately for Ancoa, with the assistance of Emu, to complete the Hillgrove Acquisition for the considerations noted in paragraph 6.3, is believed to be fair to Emu's non-associated shareholders if the value of the consideration offered is equal to or less than the value of the shares in Ancoa being acquired (assuming the Hillgrove Acquisition proceeds).
- 8.2 Due to the nature of the business of Hillgrove, valuations are dependent upon the value placed on the mineral interests of Hillgrove. The valuation of mineral interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation.
- 8.3 As noted above, Ancoa's net assets at the date of the payment of the Option Fee and subsequent issue of the Consideration Shares will approximate \$nil plus the right to complete the Hillgrove Acquisition. Ancoa on its own has been unable to date to complete the Hillgrove Acquisition and needs the assistance of Emu or some other company that can raise cash to complete the Hillgrove Acquisition and have a further approximate \$40,000,000 to bring the Hillgrove Mine back into production.
- 8.4 Currently the existing shareholders of Emu own 100% of the Company and thus have an interest in say net assets of \$4,914,000 as noted in paragraph 5.4.1 above. After the payment of the \$800,000 Option Fee the existing shareholders interests are still 100% but the net book assets reduces to approximately \$4,114,000. Thus the existing shareholders would be worse off by approximately \$800,000 being the payment of the Option Fee. Value to Ancoa (and thus value to the existing Emu shareholders) is only added if the Hillgrove Acquisition is consummated.
- 8.5 In the event that the 27,500,000 Consideration Shares are issued to the Ancoa shareholders, and the Capital Raising is completed at say 200,000,000 shares at 30 cents each (a gross \$60,000,000 raised) there would be on a post consolidated basis 255,000,000 fully paid shares on issue in Emu and the existing shareholders interests based on the book values of Emu's and Ancoa's net assets would increase. Currently the existing shareholders of Emu own 100% of the Company and thus have an interest in net assets of approximately \$4,914,000 (\$4,114,000 after payment of the Option Fee) as noted in paragraph 5.4.1 above. After the payment of the cash Option Fee, the issue of 200,000,000 Capital Raising Shares and the issue of the 27,500,000 Consideration Shares (that will then complete the acquisition of all of the shares in Ancoa), the existing shareholders percentage interests reduce to approximately 10.784%. However based on the net assets of approximately \$70,014,000, their interest approximates \$7,550,000. Thus the existing shareholders would be better off by approximately \$2,636,000. If 233,333,333 Capital Raising Shares were issued at 30 cents each to raise a gross \$70,000,000 and capital raising costs were \$3,650,000, the net book assets ignoring the Hillgrove Acquisition would approximate \$79,514,000 and the existing shareholders interests would approximate 9.538% of the expanded issued capital of the Company and their collective dollar interests may approximate \$7,584,000. Real value to Ancoa (and thus value to the existing Emu shareholders) is only added if the Hillgrove Acquisition is consummated. The payment of the \$800,000 Option Fee will be made before completion of the Capital Raising (that may not necessarily be assured). The Option Fee amount will remain in an Ancoa bank account until the acquisitions of Ancoa and Hillgrove are completed. If completed, the consolidation of the three companies (Emu, Ancoa and Hillgrove) will result in the cash being available to Emu but if not completed, the cash Option Fee amount will be released for use by Ancoa as it sees fit.

- 8.6 As noted above, the fair value of Ancoa that assumes the Hillgrove Acquisition (and the Capital Raising), may approximate \$70,014,000 compared with the total booked accounting cost of acquisition of Ancoa and Hillgrove of approximately \$49,050,000 (including the payment of the Option Fee but this may be expensed in the books of Emu).
- 8.7 **After taking into account the factors referred to above based on prices and fair values only, we are of the opinion that the proposed Ancoa Acquisition as noted in paragraph 1.4 and resolution 3 in the Notice may be considered, on balance, to be fair to the existing non-associated shareholders of Emu (not associated with Peter Thomas, Greg Steemson, Peter Secker and Greg McRostie).**

This conclusion is based on the premise that on completion of the Ancoa Acquisition, Ancoa with the assistance of Emu will complete the Hillgrove Acquisition. It should be noted that the chances of non completion of the Hillgrove Acquisition by Ancoa after completion of the Capital Raising by Emu may be considered extremely low but will require completion of the Capital Raising.

The valuation of mineral interests and the valuation of future profitability and cash flows are extremely subjective as they involve assumptions regarding future events that are not capable of independent substantiation. We cannot warrant and do not warrant that the Hillgrove Acquisition will proceed and that the Hillgrove Antimony and Gold Mine will recommence mining operations and will be cash flow positive in the future.

9. Reasonableness of the Ancoa Acquisition and proposed Hillgrove Acquisition

- 9.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed Ancoa Acquisition (and assumed Hillgrove Acquisition) that we considered in arriving at our conclusion on the reasonableness of the Ancoa Acquisition.

Advantages

- 9.2 The Company, in effect moves from a company with minimal mineral projects (albeit some longer term potential) (and immediately before the Ancoa Acquisition, virtually a cash box company) to a new and vastly expanded mineral exploration company with some exciting prospects (on the assumption that the Hillgrove Acquisition proceeds). Immediately prior to the completion of the Ancoa Acquisition, Emu may issue up to 233,333,333 Capital Raising Shares at a minimum of 30 cents each. It is expected that the minimum Capital Raising will be \$60,000,000 and that 200,000,000 Capital Raising Shares will be issued at 30 cents each on the expectation that the Hillgrove Acquisition will be consummated with Straits. It is noted that the Capital Raising must occur first. Under certain circumstances, the minimum may reduce to \$55,000,000. If we assumed the Hillgrove Acquisition is successful (after Emu acquiring all of the shares in Ancoa), it could lead to potential Antimony and gold mining operations on the Hillgrove Antimony and Gold Mine in NSW or the ability for Emu to on-sell or farm-out the Hillgrove Antimony and Gold Mine to another mineral exploration company at a profit. The Ancoa directors believe that they have the knowledge and know how to re-activate the Hillgrove Antimony and Gold Mine (currently under care and maintenance) and that if successful cash flow will be positive in the medium term and that the Company will earn cash flows in excess of the considerations noted above.
- 9.3 The Company may be better placed to raise further funds by way of share equity as a result of acquiring all of the shares in Ancoa and subsequently Ancoa completing the Hillgrove Acquisition.
- 9.4 There is an incentive to Emu and Ancoa and the Emu shareholders, to successfully exploit the Hillgrove Antimony and Gold Mine as the Ancoa Shareholders including Peter Thomas will have significant shareholding interests in Emu. The Coffey Valuation Report notes the upside potential if Antimony and gold resources are mined.

- 9.5 Emu currently has several mining projects that the market is virtually ascribing no values to and they are in the exploration stage only. Should these projects prove not to be commercially viable, diversification into the possible Antimony/gold industry by acquiring Ancoa and Ancoa acquiring Hillgrove may reduce the risk, (but at the same time, Emu may take on significant exploration, evaluation and re-development commitments).
- 9.6 Existing shareholders may be given the opportunity to sell their shares in excess of the share prices existing prior to the Ancoa Acquisition and Capital Raising announcement. There is the possibility that the share price in the short term may trade around the Capital Raising price and those shareholders who consider the risk that the Hillgrove Acquisition will not proceed or the Hillgrove Mine will not recommence mining operations to be too high may wish to sell their shareholdings in Emu.
- 9.7 Coffey has ascribed a range of potential values to the Mineral Assets of Hillgrove that on a preferred and high basis is above the total of the considerations payable to acquire Ancoa and the consideration payable by Ancoa to acquire Hillgrove.

Disadvantages

- 9.8 The full acquisition of 100% of the shares in Ancoa may not proceed and Ancoa may not acquire Hillgrove. In the event that only the Option Fee is paid to Ancoa (an option to acquire Ancoa but actually represents the costs incurred by Ancoa in negotiating the acquisition of Hillgrove), there would be on a post consolidated basis 27,500,000 shares on issue in Emu and the book values of Emu's net assets after payment of the Option Fee would reduce. Currently the existing shareholders of Emu own 100% of the Company and thus have an interest in net assets of approximately \$4,914,000 as noted in paragraph 5.4.1 above. Thus the existing shareholders would be worse off by approximately \$800,000 notwithstanding that Ancoa has the conditional contract to acquire all of the shares in Hillgrove. Value to Ancoa (and thus value to the existing Emu shareholders) is only added if the Hillgrove Acquisition is consummated.
- 9.9 The existing shareholders of Emu as at 21 February 2012 will be massively diluted from owning a current 100% shareholding interest in Emu and its underlying assets to a very small fully paid shareholding interest of between approximately 9.538% and 10.784% post the Capital Raising (at an assumed 30 cents per Capital Raising Share) and the Ancoa Acquisition.
- 9.10 The exploration commitments, planned expenditures and expenditure obligations pursuant to the proposed redevelopment of the Hillgrove Antimony and Gold Mine are quite high and at this stage approximate \$40,000,000. This figure may increase.
- 9.11 In the event that the Notes are issued by Emu (could only be issued if the Hillgrove Acquisition proceeds) to the maximum of \$30,000,000, interest of approximately \$3,750,000 per annum or \$15,000,000 over the potential 5 year term of the Notes (if not converted to shares in Emu by the Note Holder before the maturity date of the Notes) would be payable (no interest is payable in the first year of issue of the Notes). In addition, the Emu Group would be liable to repay the up to \$30,000,000 Note principal in 5 years from date of issue of the Notes. However, preliminary cash flow forecasts indicate that the Notes could be paid out of cash flows from the Hillgrove Antimony and Gold Mine (but there is no guarantee that the mining will be recommenced).
- 9.12 In general terms, investments in mineral exploration companies are high risk however for those shareholders who consider that the proposed Ancoa Acquisition and subsequent Hillgrove Acquisition is a risk worth taking, then the proposed Ancoa Acquisition and subsequent Hillgrove Acquisition may be reasonable.
- 9.13 The Mineral Assets of Hillgrove (if Hillgrove Acquisition is consummated) may not turn out to be commercially viable and thus losses may be incurred.

Other Factors

- 9.14 In the absence of the proposals to acquire Ancoa and the subsequent acquisition of Hillgrove (that cannot be guaranteed that settlement will occur), the share price of an Emu share trading on ASX may drift downwards from the January 2012 share price of between 5.5 cents and 6.7 cents (pre consolidated).
- 9.15 The number of fully paid ordinary shares on issue initially rises after taking into account the consolidation of capital from 27,500,000 (pre consolidated 59,828,940 shares) to between 255,000,000 and 288,333,333 post consolidated shares (after issue of the Capital Raising Shares at an assumed 30 cents each and the 27,500,000 Consideration Shares) (but before the exercise of any existing share options) (could be up to 388,333,333 shares if the maximum 100,000,000 post consolidated shares were issue to Straits nominee in replacement of issuing 70,588,235 Notes in Emu)). This represents a massive increase in the ordinary shares of the Company based on the number of shares on issue prior to the announcement of the proposed Ancoa Acquisition and Capital Raising. Further shares may be on issue if the Notes are issued and all are converted to ordinary shares in Emu. Furthermore 75,000,000 Contingent Entitlement Shares are to be issued to a trustee that will further dilute the existing shareholders' interest although some of the Contingent Entitlement Shares may eventually be issued to the existing shareholders if they are shareholders at the date of completion of the Capital Raising and at the entitlement date of issue of such shares.
- 9.16 It was planned that Ancoa was to raise a minimum of a gross \$70,000,000 (maximum \$100,000,000) via a Prospectus/IPO offer and list on the ASX in late 2011. If the funds were raised then Ancoa would have completed the acquisition of all of the shares in Hillgrove for \$40,000,000 payable \$20,000,000 cash and \$20,000,000 in Ancoa shares and/or convertible notes. However, due to market conditions, this was not achieved. The \$40,000,000 consideration payable by Ancoa to Straits or nominee was deemed fair to both parties and was arrived at after discussions between such parties
- 9.17 Another ASX listed company offered to pay Ancoa the sum of \$4,700,000 as a fee and to takeover the obligations of Ancoa to acquire all of the shares in Hillgrove but at a cost of \$35,000,000. However, the Ancoa directors have not signed any agreement with the other listed company as they consider the proposals with Emu to be a better deal for the shareholders of Ancoa. The Option Fee payable by Emu has been set at \$800,000.
- 9.18. Ancoa may be required to pay an extension fee of \$200,000 as referred to in paragraph 1.7 above.

10. Conclusion as to Reasonableness

- 10.1 **After taking into account the factors referred to in 9 above and elsewhere in this report, we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages and thus the proposed Ancoa Acquisition as noted in paragraph 1.4 and resolution 3 in the Notice may be considered, on balance, to be reasonable to the existing non-associated shareholders of Emu (not associated with Peter Thomas, Greg Steemson, Peter Secker and Greg McRostie).**

This conclusion is based on the premise that on completion of the Ancoa Acquisition, Ancoa with the assistance of Emu will complete the Hillgrove Acquisition. It should be noted that the chances of non completion of the Hillgrove Acquisition by Ancoa after completion of the Capital Raising by Emu may be considered extremely low but will require completion of the Capital Raising.

11. Sources of Information

- 11.1 In making our assessment as to whether the proposed Ancoa Acquisition as noted in paragraph 1.2 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company, Ancoa, the Mineral Assets and Hillgrove that is relevant to the current circumstances. In addition, we have held

discussions with the management of Emu about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Emu and Ancoa.

11.2 Information we have received includes, but is not limited to:

- a) Drafts of Notice of Meetings of Emu and Explanatory Statements to Shareholders to 22 February 2012;
- b) Discussions with management of Emu and Ancoa on the Ancoa Acquisition and proposed Hillgrove Acquisition;
- c) Details of historical market trading of Emu ordinary fully paid shares recorded by ASX for the period 1 January 2011 to 21 February 2012;
- d) Shareholding details of Emu as supplied by the Company's share registry as at 4 January 2012;
- e) Annual Report of Emu for the year ended 30 June 2011;
- f) Unaudited balance sheet of Emu as at 31 December 2011;
- g) Announcements made by Emu to the ASX from 1 January 2011 to 21 February 2012;
- h) The Share Sale Agreement between Straits, Straits Gold, Hillgrove and Ancoa (then called Court Resources WA Pty Ltd) of 26 August 2011;
- i) The draft Share Sale Agreement between Straits, Straits Gold, Hillgrove, Ancoa and Emu of January 2012;
- j) The draft prospectus of Ancoa of November 2011;
- k) The draft prospectus of Emu to 17 February 2012;
- l) Unaudited accounts of the Ancoa as at December 2011;
- m) Unaudited accounts of Hillgrove as at 30 November 2011;
- n) ASIC searches on Hillgrove and Straits Gold;
- o) Accounting work papers prepared by Emu and Ancoa management;
- p) Preliminary projections on the Hillgrove Antimony and Gold Mine prepared by Ancoa in December 2011;
- q) The Coffey Valuation Report on the Mineral Assets of Hillgrove of January 2012;
- r) A shareholders list for Ancoa as at 31 December 2011 and the proposed shareholder list immediately prior to the Ancoa Acquisition by Emu;
- s) A draft valuation report on the plant and equipment owned by Hillgrove of January 2012;
- t) The Form of Offer – Scrip for Scrip Offer Emu for Ancoa draft prepared to 16 January 2012;
- u) The draft Master Agreement for Scrip for Scrip Offer Emu for Ancoa of January 2012 (agreed to be amended on 20 February 2012 on terms noted in the Explanatory Statement);
- v) Discussions with the solicitors of Emu;
- w) Correspondence between Ancoa and Straits on the Hillgrove Acquisition completion date;
- x) Share schedule if the Ancoa Acquisition and Hillgrove Acquisition proceed; and
- y) Insurance report on Hillgrove.

11.3 Our report includes Appendices A and our Financial Services Guide attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES



J P Van Dieren - FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 22 February 2012, relating to acquiring all of the share capital of Ancoa as outlined in paragraph 1.2 of the report and resolution 3 in the Notice of Meeting to Shareholders proposed to be distributed to Emu shareholders in February 2012.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with Emu or Ancoa other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$35,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in Emu, Ancoa or Straits. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the directors of Stantons International Pty Ltd are the directors of Stantons International Audit and Consulting Pty Ltd a company that provides audit, corporate, probity and accounting services. Stantons International Securities has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the directors of Emu in order to assist the shareholders of Emu to assess the merits or otherwise of the proposals to acquire all of the shares in Ancoa as outlined in resolution 3 and the Explanatory Statement to which this report relates. This report has been prepared for the benefit of Emu's shareholders and does not provide a general expression of Stantons International Securities opinion as to the longer term value of Emu, its assets, Ancoa and Hillgrove.

Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Emu, Ancoa and Hillgrove (including ownership and title to the assets of all companies). Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, Resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities, Stantons International Pty Ltd, Stantons International Audit and Consulting, their directors, employees or consultants for the preparation of this report by Stantons International Securities.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Emu and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Emu has agreed:

- (a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which Emu may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Emu; and
- (b) To indemnify Stantons International Securities (and Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from Emu or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Emu or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to Emu directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)
Dated 22 February 2012**

1. Stantons International Securities ACN 103 088 697 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 319600;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly owned division of Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd (who charges management and consulting fees to Stantons International Securities).

From time to time, SIS, Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting, probity and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints Resolution

- Internal complaints Resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

- Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out above or by telephone 08 9481 3188 or facsimile 08 9321 1204.

Proxy Form



Reference Number	
Number of Shares	

Appointment of Proxy

I/We appoint as proxy to vote in accordance with the following directions (or if no directions have been given, as the proxy or Chairperson sees fit) at the general meeting of the Company to be held at Level 2, 16 Ord Street, West Perth, Western Australia on Wednesday 4 April 2012 at 10.00am WST (**Meeting**) (and at any adjournment thereof). This proxy empowers the person appointed as proxy to vote on any other resolutions validly put to the Meeting as the proxy sees fit.

Name of person you are appointing (if not the Meeting Chairperson)

OR

the Chairperson of the Meeting

- | | |
|--------------|---|
| Resolution 1 | Change of company name |
| Resolution 2 | Consolidation of capital |
| Resolution 3 | Acquisition of ANCOA NL |
| Resolution 4 | Change in nature of business |
| Resolution 5 | Appointment of Director |
| Resolution 6 | Issue shares under a prospectus |
| Resolution 7 | Authority to issue contributing shares |
| Resolution 8 | Authority to issue convertible notes to settle acquisition of Hillgrove Mines Pty Ltd |
| Resolution 9 | Authority to issue shares to settle acquisition of Hillgrove Mines Pty Ltd |

For	Against	Abstain (1)	No Direction to Vote (2)

- (1) IF YOU MARK THE **ABSTAIN BOX** FOR A PARTICULAR ITEM, YOU ARE DIRECTING YOUR PROXY **NOT** TO VOTE ON THAT ITEM.
- (2) If the Chairperson of the meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of the resolution, please place a mark in the box next to that resolution. By marking this box, you acknowledge that the Chairperson may exercise your proxy even if they have an interest in the outcome of the resolution and that votes cast by them other than as proxy holder will be disregarded because of that interest. If you do **not** mark this box and you have **not** directed your proxy how to vote, the Chairperson will **not** cast your votes on the resolution and your votes will **not** be counted in calculating the required majority if a poll is called on the resolution. The Chairperson intends to vote undirected proxies in favour of all Resolutions, including in relation to Resolution 1 even though this resolution is connected directly or indirectly with the remuneration of key management personnel.

Appointing a Second Proxy (if applicable)

The number of shares applicable to this proxy form

Or

%

The percentage of your voting rights

Signature(s)

Shareholder 1

Director

Shareholder 2

Director/Secretary

Shareholder 3

Sole Director and Secretary

Company Seal (if required)

Proxy Forms may be lodged with the Company either by facsimile on (08) 9485 2840, or by mail to PO Box 644, West Perth WA 6872. To be valid, a Proxy Form must be received not less than 48 hours before the time appointed for the Meeting. For assistance in completing this form, please refer to the rear of this form.

Contact Telephone Number

Area Code	Telephone Number
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Instructions for Completion of the Proxy Form

Shareholder's Name & Address

This is the name and address of the shareholder as it appears on the Company's share register. For the purposes of the Meeting, shares will be taken to be held by those persons who are the registered holders thereof 48 hours before the time appointed for the commencement of the Meeting.

Appointment of Proxy

A shareholder entitled to attend and vote at the Meeting is entitled to appoint not more than two other persons (whether shareholders or not) as proxy or proxies to attend in the shareholder's place at the Meeting. The proxy has the same right as the shareholder to speak and vote at the Meeting. If you leave this section blank, the Chairperson of the Meeting will be your proxy to vote your shares even if you attend the Meeting (unless you revoke your proxy before the Meeting).

Vote on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the resolution/s you wish to direct your proxy to vote on. If you do so, all your shares will be voted in accordance with your direction. You can split your vote on any resolution /s by inserting the number/s of shares you wish to vote in the appropriate box/es. Please ensure you clearly mark the box in black or blue ink by placing a mark or the number of shares you are voting.

Appointing a Second Proxy

If a shareholder appoints two proxies and the appointment does not specify the proportion or number of the shareholder's votes, each proxy may exercise half of the votes.

Contact Telephone Number

This will help us if there are any problems with your proxy form.

Signature(s)

Each shareholder must sign this form. If your shares are held in joint names, all shareholders must sign in the boxes. If you are signing as an Attorney, then the Power of Attorney must have been noted by the Company or be duly stamped and accompany this form. Only duly authorised officer/s can sign on behalf of a company. Please sign in the boxes provided which state the office held by the signatory.